

Meeting No. 559  
Austin, Texas  
January 11, 1957

The Board of Regents of The University of Texas met as a Committee of the Whole in the Regents' Room (Main Building 209) on Friday, January 11, 1957, at 9:15 a.m. The following reflects the roll call of this meeting:

| <u>Present</u>       | <u>Absent</u>                 |
|----------------------|-------------------------------|
| Chairman Sealy *     | Regent Oates *                |
| Vice-Chairman Voyles | (See Page 10) ( See Page 452) |
| Regent (Mrs.) Devall |                               |
| Regent Jeffers       |                               |
| Regent Johnson       |                               |
| Regent Lockwood      |                               |
| Regent Minter        |                               |
| Regent Sorrell       |                               |
| President Wilson     |                               |
| Secretary Thedford   |                               |

Also present were Vice-President Boner; Vice-President Dolley; Vice-President Haskew; Mr. F. Lanier Cox, Assistant to the President; Mr. William W. Stewart, Endowment Officer; Mr. Burnell Waldrep, Assistant Land and Trust Attorney; Mr. Berte R. Haigh, Geologist in Charge of University Lands; Mr. E. J. Compton, Oil Supervisor of University Lands, Surface Leasing; and Miss Mary Cook, Executive Assistant to the Endowment Officer.

LAND AND INVESTMENT COMMITTEE MATTERS

By and with the consent of Mr. Jeffers, Chairman of the Land and Investment Committee, Chairman Sealy called for consideration by the Committee as a Whole of applications for water exploration and development permits for the City of Midland and the City of Andrews and/or Andrews Independent School District.

Ten days prior to the meeting of the Board of Regents, the proposed report of the Land and Investment Committee, as prepared by the Endowment Office for approval by the members of the Regents' Land and Investment Committee, was mailed according to the usual procedure to each Regent and included the following:

Application by the City of Midland for Water Exploration and Development Permit No. 70 on Acreage in Andrews and Martin Counties, Texas. -- The City of Midland has proposed that the University grant it a water exploration permit with option to develop and lease for production of water all of Block 5 in Andrews County, all of Block 6, except Sections 1 through 14, in Andrews and Martin Counties, and all of Block 7 in Andrews and Martin Counties. The area comprises approximately 77,000 acres in the vicinity of Monument Draw and Mustang Draw and is approximately 30 miles from Midland. There are reasonable prospects that approximately 10,000 acres out of the total will produce water from shallow depths in sufficient quantities for use by the City.

See Page 859

\* Last meeting

The principal terms of the proposal are outlined as follows:

1. The City would receive an exploration permit covering the area described above running for two years upon payment of \$2,500 for the two-year term.
2. Within the two-year exploration period, the City could select desirable acreage in units of not less than half-sections, under a development option to run for two years, unless extended, for which the City would pay 33¢ per acre annually for the two years. If the City should not be in a position to go on production during the two-year development option period, such period would be extended until such time as the City does go on production. These extensions would not exceed six years from date of the first extension. Payment by the City for the extension of this development option period would be at the rate of \$20,000 per year.
3. At any time during the development option period or its extensions, the City would have the right to lease for a period of fifty years all or any part of the acreage covered by the development option, by sections or half-sections, for the production of water. Upon execution of a lease, payments due from the City under the development option would cease, and royalty payments would commence.
4. As royalty under the lease, the City would pay 3-1/8¢ per thousand gallons of water produced, or 12-1/2 per cent of the rate charged by it to commercial users, whichever is greater, with a minimum royalty of \$40,000 annually. The rate of 3-1/8¢ per thousand gallons would be increased under the agreement in proportion to any increases in the City's commercial consumer rates, which is now 25¢ per thousand gallons. The City would further agree that when and if its residential consumer rate is increased, its commercial consumer rate would be increased by the same amount.
5. The exploration permit, development option contract, and water lease would carry provisions satisfactory to the University regarding oil and gas leases and mineral rights.
6. The City would agree to pay surface damages in accordance with the schedules set forth in the University's "Required Operating and Reporting Procedures Under Oil and Gas Leases and Geophysical Exploration Permits."
7. All geological information acquired through exploration, development, and production would be available to the University.
8. The exploration permit, development option contract, and water lease would carry provisions satisfactory to the University for leaving casing in wells that are drilled and found

capable of producing some water but insufficient for production by the City, and for availability of water to surface lessees and to University oil and gas lessees for oil and gas lease development other than pressure maintenance or water flooding.

It is recommended that the Board of Regents accept the proposal made by the City of Midland and authorize the Chairman to execute the water exploration permit when approved as to content by the Endowment Officer and as to form by the Land and Trust Attorney.

Application by the City of Andrews and/or Andrews Independent School District for Water Exploration and Development Permit No. 71 on Acreage in Andrews County, Texas. -- The University has received a proposal made on behalf of the City of Andrews for a water exploration and development permit with option to lease covering University Blocks 1, 2, 4, and 9, Andrews County, comprising approximately 88,257.5 acres. Andrews Independent School District is the present water supply development authority for delivery of water to the City of Andrews for distribution. It therefore appears that the contract would be between the University and the Andrews Independent School District.

The principal terms of the proposal are as follows:

1. The School District would be granted an exploration permit covering the area described above for a period of five years for a consideration of \$500 per year, and this permit would be subject to extension on request by the School District without additional cost to include any acreage in University Block 5, Andrews County, that may be released by the City of Midland within its two-year exploratory option period (see application for Water Permit No. 70 on Page 1 ).
2. At any time within the five-year exploration period, the School District could lease for water production all or any parts of the area covered by the permit in sections or half-sections for a term of 50 years at a royalty of 3 cents per thousand gallons or 12-1/2 per cent of its wholesale rate, whichever is greater, with a minimum royalty of \$10,000 annually.
3. The maximum amount of acreage that could be held by the minimum royalty payment would be 25 per cent of the total acreage under lease, with an annual rental of 10 cents per acre to be paid on the balance of the leased acreage. The lease would further provide that when and if the royalty paid during any year amounts to as much as \$20,000 (twice the minimum royalty), then the royalty paid would hold 50 per cent of the acreage under lease, with 10 cents per acre annual rental to be paid on the remainder of the leased acreage; that when and if the royalty paid in any year amounts to as much as \$30,000, the royalty paid would hold 75 per cent of the acreage leased and 10 cents per acre per year would be paid on the remainder of the leased acreage; and that when and if the royalty paid in any year amounts to \$40,000 or above, no annual rental will be due for that year.

\*(See P. 443)

4. The exploration contract and water lease would carry provisions satisfactory to the University regarding oil and gas leases and mineral rights.
5. The School District would agree to pay surface damages in accordance with the schedules set forth in the University's "Required Operating and Reporting Procedures Under Oil and Gas Leases and Geophysical Exploration Permits."
6. All geological information acquired through exploration, development and production would be available to the University.
7. The exploration permit and lease would carry provisions satisfactory to the University for leaving casing in wells that are drilled and found capable of producing some water but insufficient for production by the School District, and for availability of water to surface lessees and to University oil and gas lessees for oil and gas lease development other than pressure maintenance or water flooding.

It is recommended that the Board of Regents accept the proposal made for the benefit of the City of Andrews and authorize the Chairman to execute the water exploration permit with the Andrews Independent School District and/or the City of Andrews when approved as to content by the Endowment Officer and as to form by the Land and Trust Attorney.

(The acreage listed in the foregoing proposals is correct. There was a typographical error in the report mailed to the Regents.)

APPLICATION BY THE CITY OF MIDLAND FOR WATER EXPLORATION AND DEVELOPMENT PERMIT NO. 70 IN ANDREWS AND MARTIN COUNTIES, TEXAS. -- The members of the Board discussed in detail the proposal of the City of Midland for Water Exploration and Development Permit No. 70 on acreage in Andrews and Martin Counties, Texas, as outlined on Page 1. ( See Page 443)

During the consideration of this proposal and a similar proposal of the City of Andrews and/or Andrews Independent School District and before either proposal was unanimously adopted, the firm of Freeze and Nichols of Fort Worth, Texas, was consulted. This firm advised that the price set out in the proposals was above the market and that The University of Texas would be making good transactions in accepting these proposals.

Upon Doctor Minter's suggestion, a motion was made, duly seconded, and unanimously adopted that the recommendations of the Land and Investment Committee on the Application for the City of Midland for Water Exploration and Development Permit No. 70 on Acreage in Andrews and Martin Counties, Texas, as mailed to the members of the Board and also as listed on Page 1 be amended by inserting the following as Item 5 and by changing (See P. 443) Items 5, 6, 7, and 8 to Items 6, 7, 8, and 9, respectively:

5. The maximum amount of acreage that could be held by the minimum royalty payment would be 25 per cent of the total acreage under lease, with an annual rental of 10 cents per



acre to be paid on the balance of the leased acreage. The lease would further provide that when and if the royalty paid during any year amounts to as much as \$80,000 (twice the minimum royalty), then the royalty paid would hold 50 per cent of the acreage under lease, with 10 cents per acre annual rental to be paid on the remainder of the leased acreage; that when and if the royalty paid in any year amounts to as much as \$120,000, the royalty paid would hold 75 per cent of the leased acreage and 10 cents per acre per year would be paid on the remainder of the leased acreage; and that when and if the royalty paid in any year amounts to \$160,000 or above, no annual rental will be due for that year.

- 6. - - -
- 7. - - -
- 8. - - -
- 9. - - -

Adoption of Report. -- Upon motion of Mr. Johnson, seconded by Vice-Chairman Voyles, the Board unanimously approved the proposal set out on Page 1 as amended, granting to the City of Midland Water Exploration and Development Permit No. 70 on Acreage in Andrews and ~~Midland~~ Martin Counties, Texas, and authorized the Chairman of the Board to execute the instrument involved upon approval as to content by the Endowment Officer and as to form by the Land and Trust Attorney. See P. 443

APPLICATION BY THE CITY OF ANDREWS AND/OR ANDREWS INDEPENDENT SCHOOL DISTRICT FOR WATER EXPLORATION AND DEVELOPMENT PERMIT NO. 71 ON ACREAGE IN ANDREWS COUNTY, TEXAS. -- Upon motion of Doctor Minter, seconded by Mr. Johnson, the Board unanimously accepted the recommendations as outlined on Page 3 in the Application by the City of Andrews and/or Andrews Independent School District for Water Exploration Permit No. 71 on Acreage in Andrews County, Texas, and authorized the Chairman of the Board to execute the instrument involved upon approval as to content by the Endowment Officer and as to form by the Land and Trust Attorney. See P. 445

ATTENDANCE. -- Miss Cook and Messrs. Compton, Haigh, Stewart, and Waldrep retired from the meeting.

**MAIN UNIVERSITY**

McDONALD OBSERVATORY. -- With reference to signs leading to and guided tours at McDonald Observatory, President Wilson reported that the proper signs were being made, and that the State Highway Department had already posted one at the intersection of U. S. Highway No. 290 and State Highway No. 17 and had offered to post one at the intersection of U. S. Highway No. 80 and State Highway No. 118. He told the Board that he would check further into the visiting hours and guided tours at the Observatory to ensure that a courteous and informed person is in the building for a sufficient time to conduct tours and to explain to the visitors about the Observatory.

REPORT OF SPECIAL COMMITTEE FOR SELECTION OF FOOTBALL COACH AND ATHLETIC DIRECTOR, MAIN UNIVERSITY; APPOINTMENT OF FOOTBALL COACH AND ATHLETIC DIRECTOR (DARRELL K. ROYAL AND ED OLLE). --Mr. J. R. Sorrell, Chairman of the Special Committee for the Selection of the Football Coach and Athletic Director for the Main University, (other members Regents Voyles and Lockwood) reported for ratification the following appointments, which had been recommended by the Athletic Council, approved by the appropriate administrative officers and concurred in by the Special Committee which had been in close communication with the members of the Board:

1. Darrell K. Royal as Head Football Coach for a period of five years, beginning January 1, 1957, at an annual salary of \$17,500 to be paid from Athletic Council, General Account, Fund (No. 52700).
2. Ed Olle as Athletic Director and Business Manager of Intercollegiate Athletics for the period September 1, 1957, through August 31, 1958, with budgetary recommendations to be made by the Athletic Council at a later date.

Upon motion of Mr. Sorrell, seconded by Mrs. Devall, the Board unanimously adopted the foregoing report and ratified the action taken in the selection of the Football Coach and of the Athletic Director for the Main University.

#### CENTRAL ADMINISTRATION

JOINT STATEMENT WITH BOARD OF DIRECTORS, A. AND M. COLLEGE SYSTEM RE DIVERSION OF PERMANENT UNIVERSITY FUND. --Upon the recommendation of President Wilson and after consultation with the various officials of the Texas A. and M. College System, the Board, upon motion of Mr. Lockwood, duly seconded, unanimously adopted the following joint statement of the Board of Regents of The University of Texas and the Board of Directors of the Texas A. and M. College System:

The Board of Regents of The University of Texas and the Board of Directors of the Texas A. and M. College System are unequivocally opposed to any proposal for diverting increments of the Permanent University Fund to expendable income.

Any such proposal would abandon the fundamental endowment concept established by the citizens of the Republic and the State of Texas, and jealously guarded and adhered to by these Boards. Moreover, such action would nullify the recently expressed will of the people in their approval of Constitutional Amendment Three. The University and A. and M. boards wholeheartedly supported Amendment Three, designed to increase the income of the Permanent University Fund without in any way altering its essential character or impeding its normal growth. As a corollary to this increased productivity, the University and A. and M. College Systems assumed full responsibility for all

their future building needs. This assumption of responsibility, completely eliminating demands upon the General Revenue for permanent improvements for institutions, services and agencies of higher education in Texas, was predicated, however, on the continued unimpeded growth of the Permanent University Fund. Any proposal which interferes with this normal growth will place the University and the A. and M. System in an impossible position and necessarily thwart the achievements of the benefits inherent in Amendment Three.

Under Texas law, royalties from oil and gas leases are not a yield from the land, but are in essence proceeds from a sale of part of the land itself. The trustees of the University and of A. and M. would be derelict in their duty as guardians of public funds not to protest the abandonment of this basic concept in connection with the Permanent University Fund. Oil and gas reserves under University lands are "consuming assets." They exist in finite quantities, and when exhausted, there will be left only the relatively unproductive surface lands. Accordingly, revenues derived from these diminishing resources should be treated as a part of the Permanent University Fund in the same manner as proceeds from the sale of the surface lands.

The purpose of any proposal to divert increments of capital to expendable income will doubtless be that of providing relief to the taxpayers of Texas. This is certainly a laudable and appealing aim. To provide immediate tax relief by expending the major portion of all capital increases would, however, create an unconscionable burden upon the taxpayers of succeeding generations. If such a proposal as the one now being advanced had been put into effect in 1923, the value of the Permanent University Fund today would be \$32,470,000 instead of approximately \$265,000,000. For the last fiscal year alone, the loss in income would have amounted to almost \$6,000,000.

In contrast to the grasshopper in the old fable, who looked only to the present, the Regents of The University of Texas and the Directors of the A. and M. College System feel a strong moral obligation to weigh present expediencies in terms of long-range demands and consequences. Texas must not succumb to the temptation to expend its permanent endowment for current operations. Even in times of adversity, we need to be cautious about eating our seed corn; during time of prosperity, the folly of such course of action should be apparent to all.

#### MAIN UNIVERSITY

APPOINTMENT OF FOOTBALL COACHING STAFF; CALENDAR YEAR 1957.--President Wilson reported and concurred in the following recommendations of Head Football Coach Darrell K. Royal for appointments

and for reappointments to the football coaching staff for the period January 1, 1957, through December 31, 1957:

Appointments:

- James N. Pittman as Assistant Football Coach at a salary of \$9,500.00 for twelve months.
- William Mike Campbell as Assistant Football Coach at a salary of \$8,000.00 for twelve months.
- Raymond L. Willsey as Assistant Football Coach at a salary of \$8,000.00 for twelve months.
- Harold Jack Swarthout as Assistant Football Coach at a salary of \$7,500.00 for twelve months.

Reappointments:

- Robert C. Schulze as Assistant Football Coach at a salary of \$8,000.00 for twelve months.
- James C. Jones as Assistant Football Coach at a salary of \$6,500.00 for twelve months.

These recommendations had been processed through the regular channel, thereby receiving approval of the Athletic Council, Dean of Student Services McCown, and Vice-President Boner.

Vice-Chairman Voyles moved that the foregoing recommendations be approved and/or ratified and that the salaries be paid from the Athletic Council, General Account, Fund (No. 52700). This motion was seconded and unanimously adopted by the Board.

RECESS. -- The Committee of the Whole recessed at 12:45 p. m. for lunch and reconvened at 1:45 p. m. with the same roll call as at the morning session; also present were Vice-President Boner, Vice-President Dolley, Vice-President Haskew, Vice-President Casberg, Assistant to the President Cox, Doctors Dysart E. Holcomb, John Truslow, R. Lee Clark, Jr., A. J. Gill, Grant Taylor, and other representatives of the University.

REPORT OF ADVISORY BOARD, DEPARTMENT OF PETROLEUM ENGINEERING, RE PETROLEUM ENGINEERING BUILDING, REMODELING OF FOURTH FLOOR. -- Chairman Sealy called to the attention of the Board a joint letter from Mr. John F. Lynch, Chairman of Interim Committee, and Mr. John R. Suman, Chairman of Advisory Board, Department of Petroleum Engineering, recommending (and offering assistance) that the fourth floor of the Petroleum Engineering Building be remodeled "in accordance with the plans, data, and estimates from the office of the Supervising Architect of The University of Texas." These gentlemen pointed out in the letter that the Advisory Board to the Department of Petroleum Engineering had made a detailed analysis of the facilities available and had three teams of prominent engineers from Humble Oil and Refining Company, Continental Oil Company, and Magnolia Petroleum Company to spend an entire day in detailed inspection of the building and equipment and in consultation with the staff. (A copy of this letter is in the Secretary's Files, Volume IV, Page 46 .)

After due consideration and deliberation by the Board and in view of the fact that the present estimated balance in the Available Fund is some \$13,000, President Wilson recommended that the report of the Advisory Board to the Department of Petroleum Engineering be accepted with deep appreciation and that sincere thanks be expressed to the group for their assistance and service with the assurance that at the earliest opportunity money will be allocated for this project and it will be given a top priority.

The Board approved the recommendation of President Wilson upon motion of Mr. Lockwood, seconded by Mr. Sorrell.

CENTRAL ADMINISTRATION

IDENTITY OF PHOTOGRAPHS, FORMER PRESIDENTS AND/OR CHAIRMEN, BOARD OF REGENTS. -- Upon motion of Mr. Sorrell, seconded by Mr. Lockwood, the Board instructed the Secretary to identify the photographs of the former presidents and/or chairmen of the Board of Regents that are hung in the Regents' Room (Main Building 209). It was suggested that each photograph be numbered and that a brass plaque identifying the numbers be placed on the wall at the north entrance in the Regents' Room (Main Building 209).

SCHEDULED MEETINGS OF BOARD OF REGENTS. -- The Board scheduled the following meetings to be held in Austin:

February 13, 1957 (See Page 642.)

April 5 and 6, 1957

APPOINTMENT OF COMMITTEE OF SEVENTY-FIVE, 75th ANNIVERSARY. -- Vice-President Haskew distributed to each member of the Board a nomination list for the Committee of Seventy-five for the 75th Year, a reserve list, an analysis of nominations, a letter of invitation together with an enclosure for the letter of invitation entitled "The Committee of Seventy-five and 'A University of the First Class' ". This documentation had been reviewed and approved by the Academic and Developmental Affairs Committee.

See Page 756.

Upon motion of Mr. Sorrell, seconded by Mr. Lockwood, the Board approved the documentation distributed by Vice-President Haskew and authorized the Chairman of the Board to send a letter of invitation together with the enclosure entitled "The Committee of Seventy-five and 'A University of the First Class' " to each member on the nomination list.

(A copy of the documentation distributed by Vice-President Haskew and approved by the Board of Regents is in the Secretary's Files, Volume IV, Page 47 .)

MEDICAL AFFAIRS COMMITTEE

REPORT OF MEDICAL AFFAIRS COMMITTEE. -- Doctor Minter, acting as Chairman of the Medical Affairs Committee, in the absence of Doctor Oates, asked President Wilson to present recommendations for an augmentation plan for The University of Texas Medical Branch. Doctor Minter then called on Vice-President Dolley to discuss problems in

connection with the dormitories at the Medical Branch. Later the head of each medical unit was given an opportunity to present items on the agenda that concerned his respective institution. Doctors Clark, Gill, and Truslow commented generally about their institutions.

Augmentation Plan, Medical Branch. -- President Wilson reported that he, Vice-President Casberg, Doctor Truslow, and other administrative officers of the medical units, after the meeting of the Council on Medical Affairs, Thursday, January 10, had agreed on certain basic features of an augmentation plan for The University of Texas Medical Branch. Each member of the Board was furnished with a copy of this plan.

At President Wilson's request Doctor Truslow presented the recommendations to the Board for consideration, briefly discussing each.

(Attendance. -- Doctor Oates came into the meeting.)

President Wilson pointed out that these recommendations as made by the administration represent an outline that can be followed in developing major features of the complete plan.

A discussion of these principles ensued, and upon a motion made, seconded, and unanimously adopted, the plan was amended by inserting on Page 2, Item 4:

1. Line 1, between the words "earnings" and "permitted" the following: "total professional earnings less professional costs"; and
2. Line 7, between the words "transfer" and "out" the following: "of the individual".

Upon motion of Doctor Minter, seconded by Doctor Oates, the Board approved the proposed basic features of the Augmentation Plan for The University of Texas Medical Branch as amended and as set out below. It was expressly understood that this plan could not go into effect unless the base salaries can be raised to the level recommended for the 1957-59 biennium as set forth in Item 3 of the plan.

#### BASIC FEATURES OF THE AUGMENTATION PLAN FOR THE UNIVERSITY OF TEXAS - MEDICAL BRANCH

1. The present regental policy of requiring written referrals of all patients will be strictly adhered to under the proposed augmentation plan.
2. Like all other augmentation plans in effect throughout the nation, this Plan assumes the full-time principle, with substantial base salaries provided in the regular budget of the institution. The full-time principle in clinical appointments, whether strict or geographical, presumes full-time availability for the teaching of students and house staff, for the pursuance of investigative interests and for the ultimate responsibility for the care of teaching patients. It requires an office in the medical center and the concentration there of all professional interests, efforts and obligations.



Strictly full-time has come to be acknowledged as a self-imposed discipline, supported by administrative regulations, enabling the individual to concentrate his efforts upon teaching and research. Such regulations simply release such an individual from that obligation of private practice which transcends all others in the very nature of the doctor-private patient relationships, if he is to respond wholeheartedly to doctor-student needs, doctor-teaching patient needs, and his own research interests.

In the case of the geographical full-time appointee this definition is extended a little to permit certain faculty members to enjoy consultation practice, which describes an opportunity for the following three types of experiences and satisfactions:

- a. To retain his skills as a physician in the area of the intimate doctor-patient relationship.
- b. A full-time clinician interested in research relative to medicine must often be in practice in order to see enough patients to contribute significantly to his research experience and efforts.
- c. It is in the nature of a limited number of skills (steadily decreasing in numbers as the years go on) that they be concentrated in a medical center. This is a factor not only in those clinical specialties dealing with relatively uncommon disease problems, but also of the dependence of many of these skills upon the types of facilities and laboratories supportable only in such a center.

As in the case of strictly whole time: scheduled class sessions, teaching rounds, teaching patient responsibilities are as exacting mistresses as the private practice of medicine for geographical full-time people. For this reason, the three areas defined above are to be limited to consultation practice as defined in a system of regulations to be accepted by all faculty members as a condition for inclusion in the Augmentation Program. These regulations, it must be emphasized, relate only to eligibility of the faculty member for the privileges and status of the appointment, and therefore enforceable only by medical school authority. As long as we believe in the free choice of physicians, a physician's skill cannot be denied, even by institutional regulations, to any patient except on the basis of self-determination alone - in this case by his acceptance of the conditions of his appointment.

3. The base salary range envisaged for this Plan is the one approved by the Regents and set forth in the Legislative Request for the Medical Branch for the biennium 1957-59.
4. The maximum professional earnings (total professional earnings less professional costs) permitted a given individual under this Plan would in no instance exceed an amount equivalent to the state salary budgeted for that individual. Fees are the responsibility of the physician alone, as are billing and collecting. He must agree, however, to report his professional income and his costs

annually at the time of filing his income tax return.  
Any excess over allowable ceiling shall be considered  
cause for transfer of the individual out of full-time status.

#### 5. Membership Requirements

- a. Current appointment on the faculty, School of Medicine
- b. Formal nomination by the administration and approval by the Board of Regents
- c. Acceptance of teaching assignments conforming to a teaching load annually reviewed and approved by department chairmen and the Director or his designated representative.
- d. Written acceptance of General Principles and Specific Regulations.
- e. Acceptance of base salary and salary ceiling conditions.
- f. Licensure to practice medicine in the State of Texas.

(The underlined portions in Item 4 are the additions authorized by the amendment adopted on Page 12.)

Agreement between Trustees of St. Joseph's Hospital and The University of Texas Postgraduate School of Medicine. -- Doctor Taylor presented to the Board for approval and/or ratification an affiliation agreement between the Board of Trustees of St. Joseph's Hospital and The University of Texas Postgraduate School of Medicine located in the City of Houston, effective July 1, 1956, and under the same terms as the agreement between the trustees of St. Luke's Hospital and The University of Texas Postgraduate School of Medicine.

The Board upon motion of Doctor Oates, duly seconded, ratified this agreement and authorized the Chairman of the Board to execute the instrument which had been approved as to form and content by Vice-President Casberg.

#### CENTRAL ADMINISTRATION

AMENDMENT TO RESOLUTION AUTHORIZING HANDLING OF TAX-FREE ALCOHOL PERMITS. -- President Wilson recommended that the resolution adopted by the Board of Regents January 27, 1951, (Permanent Minutes, Volume X, Page 287) granting authority for the handling of tax-free alcohol permits at the Main University and various other component institutions of The University of Texas be amended in the paragraph numbered "2" by substituting the name of Mr. Robert L. Lantos, Director of Pharmacy Service, for the name of Miss Charlotte Reed Coleman, Director of the Drug Room in the John Sealy Hospital.

See Page  
753.

The Board approved the recommendation of President Wilson, upon motion of Mr. Lockwood, seconded by Mr. Johnson.

TRAVEL AUTHORIZATIONS, JANUARY 11, 1957, THROUGH NEXT MEETING OF THE BOARD OF REGENTS; AND FEBRUARY 7, 1957. -- Upon motion of Doctor Minter, seconded by Mr. Jeffers, the Board made

the following authorizations:

To comply with the requirements of Section 21 of Article V H. B. 140, Acts 54th Legislature, the Board of Regents of The University of Texas hereby specifically authorizes the following officers of the component units of The University of Texas located outside of Austin (1) to attend the next regular or called meeting of the Board of Regents and (2) between this date and the next meeting of the Board to travel to Austin for the transaction of State business, other than to attend, or be present at, any session of the 55th Legislature:

Central Administration and Main University

Berte Haigh, Geologist in Charge of University Lands  
E. J. Compton, Oil Supervisor  
Bengt Stromgren, Director of McDonald Observatory  
Howard T. Odum, Director of Marine Science Institute

Texas Western College

Dysart E. Holcomb, President  
A. A. Smith, Business Manager

Medical Branch, Galveston

John B. Truslow, Director  
G. A. W. Currie, Hospital and Facilities Administrator  
D. B. Calvin, Dean of Students and Curricular Affairs  
T. G. Blocker, Jr., Professor of Surgery  
Donald Duncan, Professor of Anatomy, Associate Dean of the Graduate School.  
Marjorie Bartholf, Dean of the School of Nursing  
R. S. Purvis, Director of Physical Plant  
E. I. Bruce, Associate Professor of Psychiatry  
E. D. Walker, Business Manager  
Titus H. Harris, Professor of Psychiatry

Southwestern Medical School

A. J. Gill, Dean  
E. A. Gell, Business Manager  
Frank Harrison, Associate Dean

Dental Branch

J. V. Olson, Dean  
Elna Birath, Business Manager  
S. S. Arnim, Director, Postgraduate Study  
Lorna Bruning, Director, Dental Hygiene  
Edward C. Hinds, Professor of Oral Surgery  
Nadine Bowen, Registrar  
Jack Miller, Assistant Professor, Outpatient Division  
E. W. d'Anton, Professor, Physics, Dental Materials

M. D. Anderson Hospital and Tumor Institute

R. Lee Clark, Jr., Director  
David E. Liston, Assistant Director  
Joe E. Boyd, Jr., Business Manager

M. D. Anderson Hospital and Tumor Institute (continued)  
 Harry F. Ebert, Director of Physical Plant  
 Frances Goff, Assistant to the Director

Postgraduate School of Medicine  
 Grant Taylor, Dean

The above listed officers of each of the component units are hereby specifically authorized to travel to Austin in response to any request for their attendance by a legislative committee and to attend any scheduled hearing by a legislative committee on matters directly concerning their respective institutions.

An administrative assistant or administrative secretary designated by the chief administrative officer of each of the component units is specifically authorized to travel to Austin on February 7, 1957, to attend an instructional conference designed to improve the docket procedures of the Board.

#### TEXAS WESTERN COLLEGE

SMALL CLASS REPORT, FALL SEMESTER, 1956-57, TEXAS WESTERN COLLEGE. -- President Wilson called to the attention of the Board the Small Class Report as of the twelfth class day for the 1956-57 Fall Semester at the Texas Western College of The University of Texas, which had been included in the Material Supporting the Agenda that was mailed to the Regents ten days prior to the meeting. This report had been prepared in accordance with House Bill 140, 54th Legislature, R. S., Article V, Section 3, Subsection "g" of the Special Provisions, and reflected the following:

- I. Undergraduate Classes having Fewer than Ten Students
  - A. Highly specialized courses required for professional degrees.
  - B. Courses in small departments which offer the minimum number of courses consistent with having at least an acceptable, balanced program.
  - C. Courses which a large department regards as necessary for a rounded program.
  - D. Courses for which students pay a supplementary fee for individualized Fine Arts instruction.
  - E. Miscellaneous
- II. Graduate Classes having Fewer than Five Students

(A copy of this report is in the Secretary's Files, Volume IV, Page 60 .)

The foregoing report was adopted upon motion of Doctor Minter, seconded by Mrs. Devall.

#### CENTRAL ADMINISTRATION

APPROVAL OF MINUTES. -- Doctor Minter moved that the minutes of the regular meeting of the Board of Regents on November 2-3, 1956, and of the special meeting on November 28, 1956, be approved in the form as

distributed by the Secretary to each member of the Board. Mr. Sorrell seconded the motion, which carried unanimously.

APPROVAL OF DOCKET. -- Upon motion of Doctor Minter, seconded by Mr. Sorrell, the Board approved the Central Administration docket, dated January 2, 1957, as recommended by President Wilson, and to which President Wilson had attached and incorporated as a part of his docket the dockets of the component institutions of The University of Texas; namely:

- Main University and Extramural Divisions -  
submitted by Vice-President C. P. Boner See P. 507
- Texas Western College -  
submitted by President Dysart E. Holcomb See P. 595
- Medical Branch -  
submitted by Director John B. Truslow See P. 601
- Dental Branch -  
submitted by Dean John V. Olson See P. 620
- M. D. Anderson Hospital and Tumor Institute -  
submitted by Director R. Lee Clark, Jr. See P. 624
- Southwestern Medical School - submitted by Dean A. J. Gill P. 634

(This docket is attached to and made a part of these minutes, Page 504 )

AMENDMENT TO BANK DEPOSITORY AGREEMENT, HUTCHINGS-SEALY NATIONAL BANK. -- At the request of President Wilson, Vice-President Dolley presented the request of Comptroller Sparenberg that the Bank Depository Agreement between the Board of Regents of The University of Texas and the Hutchings-Sealy National Bank of Galveston, covering deposits of The University of Texas Medical Branch, be amended by raising the rate on time deposits from one (1) per cent per annum to two (2) per cent per annum effective January 1, 1957.

Mr. Johnson moved that the recommendation be approved and that the amendment expire August 31, 1957, at the same time that the depository agreement expires, and further moved that the Chairman of the Board be authorized to sign the amendment after it had been approved as to form by the Land and Trust Attorney. Mr. Lockwood seconded this motion, which was unanimously adopted.

ATTENDANCE. -- Heads and representatives of the medical units of the system retired from the meeting. Comptroller Sparenberg; Endowment Officer Stewart; Messrs. Haigh, Compton, and Waldrep; Misses Mary Cook and Thelma Lockwood; and Mr. Keys, Director of News Service; and others came into the meeting.

APPROVAL, INVESTMENT PROGRAM FOR THE PERMANENT UNIVERSITY FUND PURSUANT TO THE PROVISIONS OF HJR 15 (APPROVED AT GENERAL ELECTION NOVEMBER 6, 1956). -- As a result of the Board of Regents' preliminary discussion, at its meeting November 28, 1956, of the Permanent University Fund Investment Program as authorized by Constitutional Amendment Three approved at the General Election November 6, 1956, it was unanimously agreed that an ad hoc committee composed of the president of three banks in each of the four major cities of Texas and the president of one bank from each of the other cities in Texas in which a University of Texas branch is located be requested to serve as a Special Advisory Committee to the Board of Regents for the purpose of

aiding the Board and the administration of The University of Texas in formulating plans, procedures, and policies for the implementation of The University of Texas Permanent Fund under the recently adopted Constitutional Amendment Three.

In accordance with this idea, Chairman Sealy, by and with the consent of the full Board, extended invitations to the following individuals to be members of the Special Advisory Committee and asked that the committee meet Wednesday, December 19, 1956, at 10 a. m., in the President's Office at the Main University:

- |   |  |
|---|--|
| Mr. Howard Cox, President<br>The Capital National Bank<br>Austin, Texas               | Mr. John W. McCullough, President<br>Hutchings-Sealy National Bank<br>Galveston, Texas |
| Mr. Milton F. Brown, President<br>Mercantile National Bank<br>Dallas, Texas           | Mr. R. P. Doherty, President<br>The National Bank of Commerce<br>Houston, Texas        |
| Mr. Fred F. Florence, President<br>Republic National Bank<br>Dallas, Texas            | Mr. J. A. Elkins, Jr., President<br>The First City National Bank<br>Houston, Texas     |
| Mr. Ben H. Wooten, President<br>First National Bank<br>Dallas, Texas                  | Mr. A. G. McNeese, Jr., President<br>Bank of the Southwest<br>Houston, Texas           |
| Mr. Sam D. Young, President<br>El Paso National Bank<br>El Paso, Texas                | Mr. J. W. Beretta, President<br>First National Bank<br>San Antonio, Texas              |
| Mr. J. Lee Johnson, Jr., President<br>The First National Bank<br>Fort Worth, Texas    | Mr. Tom Frost, President<br>Frost National Bank<br>San Antonio, Texas                  |
| Mr. George Thompson, Jr., President<br>Continental National Bank<br>Fort Worth, Texas | Mr. Forrest M. Smith, President<br>National Bank of Commerce<br>San Antonio, Texas     |
| Mr. Estil Vance, President<br>The Fort Worth National Bank<br>Fort Worth, Texas       |  |

Subsequent to the meeting of this committee and prior to the January 1957 meeting of the Board of Regents, Vice-President Dolley furnished each member of the Board with a copy of the proposed Investment Program for the Permanent University Fund Revised Pursuant to the Provisions of HJR 15, Which Was Approved at the General Election of November 6, 1956.

At the request of the Chairman of the Board and the Chairman of the Land and Investment Committee, Vice-President Dolley gave a report of the meeting with the Special Advisory Committee. He stated that the meeting was very satisfactory; that the committee spent most of the time discussing the policy phase of the program; that the group was substantially in agreement with the program as outlined; and further that the committee was in agreement that high credit standards should be adopted and followed without exception.



Upon motion of Doctor Minter, seconded by Mr. Johnson, the Board deleted from the recommended plan the section Investment Adviser Service and recommended that an investment adviser be named at a later date. Doctor Dolley suggested that the recommended program as he had submitted be amended in the following manner:

(See Page 647)

1. Item III. B. under the division Procedures, delete "With few exceptions, orders placed direct to the main office --"

and substitute

"At the discretion of the Endowment Office, orders are to be placed either with the main office of the New York Stock Exchange member firm or with a local Texas office (branch office or Texas firm correspondent)."

2. Under the section Selection of Security Brokers and Dealers, Item IV, substitute the following:

IV. Initial list of firms recommended for approval: (See Page 647)

A. Brokers and Dealers for all Corporate Securities

1. Group I - "Full" members of the N. Y. S. E.  
Those firms having one or more offices in Texas  
Number -- 8

Of these 4 have requested consideration (to date).

Harris, Upham & Co.  
Merrill Lynch, Pierce, Fenner & Beane  
Salomon Bros. & Hutzler  
E. F. Hutton & Co.

Policy:

- a. Put on approved list now those which have applied, each providing a quid pro quo in -- service and research
  - b. Expect to put on the approved list each of the others as they -- apply, and demonstrate service and research.
2. Group II - Those firms which serve as New York correspondents of Texas firms having membership on the N. Y. S. E. (but not floor privileges)
    - a. Put on the approved list those which have applied (both the New York and the Texas firm).  
Dominick & Dominick
      - (1) Dewar, Robertson, and Pancoast  
(San Antonio)
      - (2) Underwood, Neuhaus and Co. (Houston)Laurence M. Marks and Co.
      - (1) Dittmar & Co. (San Antonio)Kidder, Peabody & Co.
      - (1) Rauscher, Pierce & Co. (Dallas)Clark, Dodge & Co.
      - (1) Rotan, Mosle & Co.
    - b. Expect to approve certain others as they may apply (both New York and the Texas firm)

- 3. Group III - Those firms which have neither branch offices in Texas nor correspondent firms in Texas.  
Number -- about 580

Policy:

Approve only as they apply and as they demonstrate exceptional research service

The number of these firms to be small

Firms now recommended for approval

- A. C. Allyn & Co.
- H. C. Wainwright & Co.
- White, Weld & Co.
- Lehman Bros.

- B. For Corporate Bond Offerings Secondary Distributions of Eligible Corporate Securities and Texas Bank and Insurance Shares

- 1. Group I - Texas firms having membership on exchanges other than N. Y. S. E.

Those which have applied

- a. Equitable Securities Corp.
- b. Dallas Union Securities Co. (Dallas)

Expect to approve certain others as they may apply

- 2. Group II - Texas firms which from time to time underwrite national corporate offerings but which own now stock exchange membership

Approve the only firm which has applied thus far

- a. First Southwest Co. (Dallas)

Expect to approve certain others as they may apply

- 3. Under Revised Budget for Investment Office, insert the name of M. J. Grove as Senior Security Analyst.

Adoption of Report. -- Upon motion of Vice-Chairman Voyles, duly seconded, the Board unanimously adopted the following investment program for the Permanent University Fund pursuant to the provisions of HJR 15 with the amendment as passed and the amendments as suggested by Vice-President Dolley incorporated:

INVESTMENT PROGRAM FOR THE PERMANENT UNIVERSITY FUND  
REVISED PURSUANT TO THE PROVISIONS OF H. J. R. 15 (See Page 647)  
WHICH WAS APPROVED AT THE GENERAL ELECTION  
NOVEMBER 6, 1956

Investment Requirements

- I. Change in investment restrictions:

H. J. R. 15 --

Authorize placing up to 50% of the total Permanent University Fund in --

Corporate bonds and stocks.

Remainder to be invested in --

Government bonds issued by --

The United States, State of Texas, and Texas Municipalities.

Real estate mortgage paper wholly guaranteed by an agency of the United States Government.

II. Nature of the Permanent Fund:

It is a perpetual endowment fund.  
Principal cannot be expended for any purpose other than --  
To purchase investment securities.  
Trading profits and losses should be credited and charged to principal.  
It follows that liquidity is not important in the selection of investment securities.  
The size of the income return is very important --  
Especially cash income as opposed to accumulating bond discount.  
Being a permanent endowment fund --  
The volume of switching transactions would normally be small.  
Switches made only --  
To improve quality, i. e., to get out of a deteriorating situation or to improve yields where offsetting losses are not too great.

III. Investment objectives should be:

- A. Safety of principal, to be accomplished by --  
Emphasis on quality.  
Minimum quality standards as to all but U. S. Government securities.  
Continuous review after purchase.  
Diversification, especially as to corporate securities.
- B. High income return consistent with safety requirements.
- (C. Marketability relatively unimportant.)
- (D. Tax exemption of no value.)

Policies Governing Investment in Corporate Securities

I. Purchasing is to be limited exclusively to corporate securities and guaranteed mortgage notes until the Permanent Fund distribution is as follows (the percentages are based on the book value--cost or amortized cost--of all securities purchased):

|   |     |
|---|-----|
| Government bonds (United States, State of Texas, and Texas Municipal) | 50% |
| Corporate bonds (including rail equipment trust certificates)         | 5   |
| Preferred Stocks  | 5   |
| Guaranteed mortgage paper   | 5   |
| Common Stocks   | 35  |

Any change in this policy or in the above distribution schedule requires specific approval by the Land and Investment Committee and subsequently by the Board of Regents.

II. Funds for the purchase of non-government securities are to come from:

New money paid into the Permanent Fund from --  
Royalties.  
Bonus payments from sale of mineral leases.  
Proceeds from government bond maturities.  
It is not contemplated that any present government bond holdings will be sold in order to provide funds for the purchase of non-government securities.

However, such sales may be authorized by the Land and Investment Committee when government bonds can be sold advantageously.

III. The following list of minimum investment standards and the diversification pattern for corporate securities are approved.

IV. To be eligible for purchase, securities must be issued by corporations which have been formally approved by the Land and Investment Committee and the Board of Regents. See Page 719.

V. Corporate securities are to be purchased on the dollar averaging principle: That is, when funds become available, securities are to be purchased without any attempt to appraise the short-term market trend.

VI. With respect to corporate securities:

- A. As a general rule, stock rights received are to be exercised; but, in each instance, the decision will be made by the Staff Investment Committee.
- B. As a general rule, fractional shares are to be purchased to round out fractional shares received from stock rights, stock splits, and stock dividends. In each instance, however, the decision to buy or sell will be made by the Staff Investment Committee.
- C. With few exceptions, voting stocks held are to be voted by returning proxies to present management. Exceptions require approval of the Land and Investment Committee. See Page 723.

VII. The Endowment Office is authorized to purchase corporate securities within approved policies:

All such purchases are to be reported --

to the Land and Investment Committee and to the Board of Regents at the next following meeting.

However, sales of corporate securities require prior approval by the Land and Investment Committee and the Board of Regents.

#### Investment Standards to Determine Eligibility for Purchase

I. As to quality:

- A. Stocks issued by companies incorporated within the United States.
- B. Except bank and insurance shares, stock must be listed on a registered security exchange.
- C. Stock must have an unbroken dividend record over the preceding ten years.
- D. Issuer must be one of the leading corporations in its industry.
- E. Not more than 1% of the Permanent Fund may be invested at any one time in securities issued by any one corporation.
- F. Not more than 4% of the voting stock in any one corporation may be owned by the Permanent Fund at any one time.
- G. Corporate bonds must be rated A or higher by either Moody's or Standard and Poor's.
- H. The corporation must measure up to these minimum financial statement ratio standards. (These standards apply to initial purchase only. If, after purchase, a corporation should drop

below these levels, the Investment Committee will decide whether or not to recommend sale of securities.)

1. Bonded debt to book value of total investment\* --
  - Public utilities -- not to exceed 55%.
  - Railroads -- not to exceed 45%.
  - Industrials -- not to exceed 30%.

\*Total investment is fixed liabilities plus net worth.
2. Times bond service covered (before taxes) --
  - Public utilities -- average of at least 5 times during past 5 years.
  - Railroads -- average of at least 6 times during past 5 years.
  - Industrials -- average of at least 7 times during past 5 years.
3. Net profit (after taxes) on book value of total investment --
  - Public utilities and financial corporations -- average of at least 4-1/2% during past 5 years.
  - Railroads -- average of at least 4-3/4% during past 5 years.
  - Industrials -- average of at least 6% during past 5 years.

II. As to Price:

- A. Except for "growth stocks," yields on corporate securities must exceed the prevailing yield on the longest term Treasury bond by the following minimum margins --
  - Corporate bonds -- 1/4%
  - Preferred stock -- 1/2%
  - Common stock -- 3/4%
- B. Except for "growth stocks," the price-earnings multiple must not exceed --
  - 15 for industrials and rails.
  - 20 for utilities and financial corporations.

Diversification Patterns

I. Size of Permanent Fund when diversification program is completed:

Assumptions --

| Size of Permanent Fund                                       | <u>Millions</u> |
|--|-----------------|
| On March 1, 1957 (all in governments)                        | \$276           |
| Addition to August 31, 1957                                  | 14              |
| Addition next 7 years at average annual rate of \$25 million | <u>175</u>      |
| Total August 31, 1964  | \$465           |

The above total invested in --

|   |           |
|---|-----------|
| Governments                                       | \$276     |
| Less maturities to August 31, 1964                | <u>50</u> |
| Held August 31, 1964                              | \$226     |
| Other securities                                  |           |
| All new money received to August 31, 1964         | \$189     |
| All government bond maturities to August 31, 1964 | <u>50</u> |
|   | \$239     |

If above program is realized --  
the diversification pattern outlined below would be achieved  
during fiscal 1964.

When Permanent Fund reaches some \$450 million.

II. By types of securities--approximate eventual distribution when Permanent Fund reaches a total of \$450,000,000:

|  | <u>Per Cent</u> |
|--|-----------------|
| 1. U. S. Government securities, State of Texas<br>Bonds, and Texas municipal bonds | 50              |
| 2. Corporate bonds   | 5               |
| 3. Preferred stocks  | 5               |
| 4. Common stocks   | 35              |
| 5. Guaranteed mortgage paper   | <u>5</u>        |
|  | 100%            |

III. Corporate bonds (\$22,500,000)--assuming average investment of about \$1,000,000 in individual issues:

|   | <u>Issues</u> | <u>Per Cent</u> |
|---|---------------|-----------------|
| A. Public utilities                     | (11)          | 50              |
| B. Railroads (including rail equipment) | ( 2)          | 10              |
| C. Finance companies                    | ( 3)          | 10              |
| D. Industrials                          | ( 7)          | <u>30</u>       |
|   |               | 100%            |

IV. Preferred stocks (\$22,500,000)--assuming average investment of about \$1,000,000 in individual issues:

|                     | <u>Issues</u> | <u>Per Cent</u> |
|---------------------|---------------|-----------------|
| A. Public utilities | (12)          | 50              |
| B. Railroads        | ( 2)          | 10              |
| C. Industrials      | ( 9)          | <u>40</u>       |
|                     |               | 100%            |

V. Common stocks (\$157,500,000)

(The diversification pattern for common stocks is intended to serve as a general guide only. It is not expected that precisely the number of issues shown will be purchased and considerable variation in the amounts committed to individual issues is to be anticipated.)

A. Ultimate objective, i. e. , when Permanent Fund reaches total of \$450,000,000 --

157 individual stocks owned.

Average commitment--about \$1,250,000 except financial companies where average commitment is about \$500,000.

B. Broad diversification program --

|                     | <u>Issues</u> | <u>Per Cent</u> |
|---------------------|---------------|-----------------|
| 1. Public utilities | (37)          | 30              |
| 2. Railroads        | ( 4)          | 3               |
| 3. Financial        | (54)          | 17              |
| 4. Industrial       | (62)          | <u>50</u>       |
|                     |               | 100%            |



|  |               |                 |
|--|---------------|-----------------|
| C. Diversification of public utilities (\$47,250,000) --       |               |                 |
|  | <u>Issues</u> | <u>Per Cent</u> |
| 1. Light and Power   | (27)          | 70              |
| 2. Gas service and gas transmission                            | ( 8)          | 20              |
| 3. Telephone and telegraph                                     | ( 2)          | 10              |
|  |               | 100%            |
| D. Diversification of railroads (\$4,725,000) --               |               |                 |
|  | <u>Issues</u> | <u>Per Cent</u> |
| By geographic area served and<br>type of freight hauled        | (4)           | 100%            |
| E. Diversification of financial corporations (\$26,775,000) -- |               |                 |
| (Average commitment about<br>\$500,000.)                       | <u>Issues</u> | <u>Per Cent</u> |
| 1. Banks   | (27)          | 50              |
| 2. Fire and casualty insurance                                 | (11)          | 20              |
| 3. Finance companies   | (11)          | 20              |
| 4. Life insurance  | ( 5)          | 10              |
| 5. Mutual funds (including closed-<br>end companies)           | -             | 0               |
|  |               | 100%            |
| F. Diversification of industrials (\$78,750,000) --            |               |                 |
|  | <u>Issues</u> | <u>Per Cent</u> |
| Group I (Earning power stable) -- 35%                          |               |                 |
| 1. Food and dairy products                                     | ( 6)          | 10              |
| 2. Chemical products   | ( 6)          | 10              |
| 3. Containers  | ( 2)          | 3               |
| 4. Paper products  | ( 1)          | 2               |
| 5. Merchandising   | ( 1)          | 2               |
| 6. Tobacco products  | ( 3)          | 4               |
| 7. Drugs, soaps, cosmetics                                     | ( 3)          | 4               |
| Group II (Some variation in earning<br>power) -- 35%           |               |                 |
| 1. Air transport   | ( 0)          | 1               |
| 2. Building materials  | ( 5)          | 8               |
| 3. Electrical equipment  | ( 3)          | 5               |
| 4. Office equipment  | ( 1)          | 2               |
| 5. Petroleum products  | ( 6)          | 10              |
| 6. Synthetic fibres and textiles                               | ( 1)          | 1               |
| 7. Tires and rubber products                                   | ( 1)          | 2               |
| 8. Automobiles and accessories                                 | ( 4)          | 6               |
| Group III (Considerable variation in<br>earning power) -- 24%  |               |                 |
| 1. Farm equipment  | ( 1)          | 2               |
| 2. Manufacturing industrial<br>machinery and equipment         | ( 6)          | 10              |
| 3. Non-ferrous metals  | ( 4)          | 6               |
| 4. Steel and iron  | ( 4)          | 6               |
| Miscellaneous -- 6%  | ( 4)          | 6               |
|  |               | 100%            |

- VI. Diversification of guaranteed mortgage paper (\$22,500,000) --  
 2250 mortgage loans at an average of \$10,000 per loan.  
 Implementation of this part of the program to be developed later --  
 After employment of a competent mortgage loan officer.

Procedures

- I. Changes in investment policies and in list of approved corporations:
- A. Initiated by Staff Investment Committee --
1. Comprised of --  
 Vice President for Fiscal Affairs  
 Endowment Officer  
 Assistant to Endowment Officer  
 Senior Security Analyst \*
- B. Reviewed by Investment Advisory Committee --
1. Comprised of --  
 Four members selected from the investment and trust department staffs of the larger commercial banks in Texas. See Page 748.
  2. Selection procedure --  
 Recommended by Vice President for Fiscal Affairs --  
 and approved by Land and Investment Committee and Board of Regents.
  3. Meetings -- quarterly beginning March 1, 1957.
  4. Functions --  
 To advise Staff Investment Committee concerning their recommendations as to --  
 Changes in investment policies and procedures,  
 Changes in list of approved corporations, and  
 Security purchases and sales.
  5. Consultant fees --  
 \$100 each per meeting attended.
- II. Initial list of corporations approved for Permanent Fund investment:
- A. Those corporations now on the approved list for Trust and Special Funds investment -- provided they are eligible under the specified investment standards.
- B. Additional corporations to be recommended for approval --  
 As rapidly as they can be properly processed.
- III. Purchase (and sale) of securities:
- A. Persons authorized to place orders -- \*
- Vice President for Fiscal Affairs  
 Endowment Officer  
 Assistant to Endowment Officer
- B. Orders placed --  
 Through broker and dealer firms on the approved list --  
 At the discretion of the Endowment Office, orders are to be placed either with the main office of the New York Stock Exchange member firm or with a local Texas office (branch office or Texas firm correspondent).  
 The firm to allocate commission fees to its offices and correspondents in Texas, if any.  
 In the case of unlisted securities --  
 Whenever practicable, two approximately simultaneous offers to be taken.

*He has authorization to place orders if and when appointed.*

- IV. Mechanical handling of securities purchased and sold:
- A. Vice President for Fiscal Affairs is authorized to establish the most practicable procedures possible, after consultation with --
- Appropriate University offices
  - Attorney General's Office
  - State Comptroller's Office
  - State Treasurer's Office

Selection of Security Brokers and Dealers

- I. Our objectives:
- A. To obtain sound information and advice.
  - B. To get the best possible price.
  - C. To obtain efficient handling of orders.
  - D. To distribute the business fairly --  
Among a limited number of firms which can render exceptional service.
- II. Criteria for selection:
- A. Well-established and well-regarded firms, with adequate capital financing.
  - B. With very few exceptions, members of the New York Stock Exchange.
  - C. Firms operating excellent research departments.
- III. Selection procedure:
- A. Recommended by Staff Investment Committee to --  
Land and Investment Committee and Board of Regents.
- IV. Initial list of firms recommended for approval: See Page 725.
- A. Brokers and Dealers for all Corporate Securities
- 1. Group I - "Full" members of the N. Y. S. E.  
Those firms having one or more offices in Texas  
Number -- 8  
Of these 4 have requested consideration (to date).  
Harris, Upham & Co.  
Merrill Lynch, Pierce, Fenner & Beane  
Salomon Bros. & Hutzler  
E. F. Hutton & Co.
- Policy:
- a. Put on approved list now those which have applied, each providing a quid pro quo in --  
service and research
  - b. Expect to put on the approved list each of the others as they apply, and demonstrate service and research.
2. Group II - Those firms which serve as New York correspondents of Texas firms having membership on the N. Y. S. E. (but not floor privileges)
- a. Put on the approved list those which have applied (both the New York and the Texas firm.)  
Dominick & Dominick  
(1) Dewar, Robertson, and Pancoast  
(San Antonio)  
(2) Underwood, Neuhaus and Co. (Houston)  
Laurence M. Marks and Co.  
(1) Dittmar & Co. (San Antonio)

Kidder, Peabody & Co.

(1) Rauscher, Pierce & Co. (Dallas)

Clark, Dodge & Co.

(1) Rotan, Mosle & Co.

b. Expect to approve certain others as they may apply (both New York and the Texas firm)

3. Group III - Those firms which have neither branch offices in Texas nor correspondent firms in Texas.  
Number -- about 580

Policy:

Approve only as they apply and as they demonstrate exceptional research service

The number of these firms to be small

Firms now recommended for approval

A. C. Allyn & Co.

H. C. Wainwright & Co.

White, Weld & Co.

Lehman Bros.

B. For Corporate Bond Offerings Secondary Distributions of Eligible Corporate Securities and Texas Bank and Insurance Shares

1. Group I - Texas firms having membership on exchanges other than N. Y. S. E.

Those which have applied

a. Equitable Securities Corp.

b. Dallas Union Securities Co. (Dallas)

Expect to approve certain others as they may apply

2. Group II - Texas firms which from time to time underwrite national corporate offerings but which own no stock exchange membership

Approve the only firm which has applied thus far

a. First Southwest Co. (Dallas)

Expect to approve certain others as they may apply

Fidelity Bonds

- I. It is recommended that fidelity bonds in adequate amounts be purchased:

To cover those University employees who will be handling securities bought for the Permanent Fund --

Premiums to be paid by the Investment Office.

The University consultant on insurance, Mr. A. B/RMassey --

To be requested to advise as to this coverage.

Audit of Permanent Fund

- I. Consideration should be given to the possible desirability of requesting legislative approval:

For periodic annual audits of the Permanent University Fund --

By a competent public accounting firm.

This examination would be in addition to that provided by the State Auditor.

Revised Budget for Investment Office

See Page 647

I. It is recommended that the attached revision of the budget for the Investment Office for the current fiscal year be approved:

- A. Approval to be effective February 1, 1957.  
 B. Source of funds for the additional \$42,086 to be the Available Fund Unappropriated Balance.

INVESTMENT OFFICE  
 (12 Months)

|  | Present<br>Budget<br>1956-57 | Revised<br>Budget<br>1956-57<br>(Annual Rate) | Revised Budget<br>1956-57<br>(Actual Ap-<br>propriation) |
|--|------------------------------|---|--|
| Vice President for Fiscal Affairs                      |                              |   |  |
| J. C. Dolley   | -                            | -   | -  |
| Endowment Officer                                      |                              |   |  |
| W. W. Stewart  | \$12,500                     | \$12,500                                      | \$12,500   |
| Assistant to Endowment Officer                         |                              |   |  |
| M. E. Cook   | 5,880                        | 7,500   | 6,825  |
| Mortgage Loan Officer                                  |                              |   |  |
| _____  | -                            | 10,000  | 5,834  |
| Senior Security Analyst                                |                              |   |  |
| M. J. Grove - (See Page 908)                           | -                            | 7,200   | 4,200  |
| Security Analyst                                       |                              |   |  |
| C. J. Crosson  | -                            | 6,168   | 3,598  |
| Executive Assistant                                    |                              |   |  |
| T. Lockwood  | ( 6,168)                     | 6,168   | 3,598  |
| Administrative Secretary                               |                              |   |  |
| Mrs. R. K. Gray  | 3,648                        | 3,840   | 3,760  |
| Senior Secretary                                       |                              |   |  |
| Mrs. T. G. Manske                                      | 2,892                        | 3,024   | 2,969  |
| Mrs. C. A. Atkinson                                    | 2,760                        | 2,760   | 2,760  |
| Secretary  |                              |   |  |
| _____  | -                            | 2,892   | 1,687  |
| _____  | -                            | 2,760   | 1,610  |
| Investment Adviser Service                             | -                            | 7,500   | 5,625  |
| Consultant Fees (Investment<br>Advisory Committee)     | -                            | 800   | 800  |
| Special Equipment (to furnish new<br>office space)     | -                            | 7,500   | 7,500  |
| Office, Clerical Assistants, and<br>Traveling Expenses | 8,500                        | 15,000  | 15,000   |
| <b>Total</b>   | <b>\$36,180</b>              | <b>\$95,612</b>                               | <b>\$78,266</b>  |

RECESS. -- The Board adjourned as a Committee of the Whole at 5 p. m.  
 to reconvene in regular session Saturday, January 12, at 10 a. m.

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Saturday, January 12, 1957

The Board of Regents reconvened in regular session in the Regents' Room (Main Building 209) with full membership of the Board, President Wilson, and Secretary Thedford present.

Also present were other administrative officers of The University of Texas and representatives of the press.

COMMITTEE REPORTS

REPORT OF LAND AND INVESTMENT COMMITTEE (See Page 46 for adoption). --At the request of Chairman Sealy, Mr. Jeffers presented for consideration the following report of the Land and Investment Committee that had been prepared by the Endowment Office and forwarded to each Regent in the Material Supporting the Agenda: (See Page 488)

PERMANENT UNIVERSITY FUND -- INVESTMENT MATTERS. --

REPORT OF PURCHASES OF SECURITIES. --The following purchases of securities have been made for the Permanent University Fund since the report of November 3, 1956. We ask that the Board ratify and approve these transactions:

UNITED STATES GOVERNMENT BONDS PURCHASED

| Issue                                | Par Value          | Purchase Price | Yield Basis | Principal Cost        | Delivery |
|--------------------------------------|--------------------|----------------|-------------|-----------------------|----------|
| 3-1/4% U.S. Treas.<br>due 6/15/83-78 | \$ 650,000         | 99.5000        | 3.28%*      | \$ 646,750.00         | 11/ 2/56 |
| Ditto                                | 500,000            | 99.1875        | 3.30 *      | 495,937.50            | 11/23/56 |
| Ditto                                | <u>2,000,000</u>   | 98.6250        | 3.33 *      | <u>1,972,500.00</u>   | 12/14/56 |
| Totals                               | <u>\$3,150,000</u> |                |             | <u>\$3,115,187.50</u> |          |

\* Yield to maturity



## TEXAS MUNICIPAL BONDS PURCHASED

| Issue  | Par Value          | Purchase Price | Yield Basis | Principal Cost      | Date of Delivery |
|--|--------------------|----------------|-------------|---------------------|------------------|
| City of El Paso 2-3/4%<br>Wtr. & Swr. Rev.<br>Bonds, Ser. 1956,<br>due 3/1/77-76 | \$ 35,000          | 89.822870      | 3.45%*      | \$ 31,438.00        | 10/25/56         |
| Ditto, 2.80% Wtr. &<br>Swr. Rev. Bonds,<br>Ser. 1956, due<br>3/1/81-82/76        | 20,000             | 88.443979      | 3.50 *      | 17,688.80           | 10/26/56         |
| Ditto, 3-1/2% Wtr. &<br>Swr. Rev. Bonds,<br>Ser. 1956-A, due<br>3/1/86-77        | 100,000            | 98.195918      | 3.60 *      | 98,195.92           | 11/23/56         |
| City of Pampa Rev.<br>3.40% due<br>10/1/81-82/71                                 | 145,000            | 99.177492      | 3.45 *      | 143,806.83          | 10/30/56         |
| City of Bryan Rev.<br>3-1/2% due<br>7/1/80-81/71                                 | 200,000            | 97.609278      | 3.65 *      | 195,218.55          | 12/ 5/56         |
| Longview ISD 3-1/4%,<br>due 5/1/82/71  | 25,000             | 90.328039      | 3.85 *      | 22,582.01           | 12/ 5/56         |
| Temple Sch. 2-7/8%,<br>due 5/15/83/70  | 25,000             | 83.180531      | 3.90 *      | 20,795.13           | 12/ 5/56         |
| Port Arthur ISD 2.80%,<br>12/1/74/70   | 25,000             | 87.651291      | 3.75 *      | 21,912.82           | 12/ 5/56         |
| Houston ISD 3%, due<br>4/10/77, 78, 79   | 138,000            | 88.288306      | 3.80 *      | 121,939.34          | 12/ 7/56         |
| City of Pampa GO's,<br>3.10% due<br>4/1/74/71                                    | 55,000             | 90.581075      | 3.85 *      | 49,819.59           | 12/ 7/56         |
| Houston ISD 2-3/4%,<br>due 4/1/79  | 20,000             | 81.650522      | 4.00 *      | 16,330.10           | 12/10/56         |
| City of Pampa Rev.<br>3.40% due<br>10/1/78/71                                    | 20,000             | 92.699842      | 3.90 *      | 18,539.97           | 12/14/56         |
| City of San Antonio<br>GO's 2-1/2%, due<br>3/1/69 & 70                           | 200,000            | 85.181160      | 4.00 *      | 169,868.26          | 12/20/56         |
| Totals   | <u>\$1,008,000</u> |                |             | <u>\$928,135.32</u> |                  |

\* Yield to maturity

MUNICIPAL BONDS PURCHASED WITH  
DELIVERY PENDING\*\*

| Par Value                                | Issue   | Maturity           | Yield Basis | Date Purchased | Delivery on or About |         |
|--|---|--------------------|-------------|----------------|----------------------|---------|
| \$150,000                                | Bryan ISD 3.90%, dated<br>12/1/56, due  | \$37,000           | 12/1/83-71  | 3.90%*         | 12/ 3/56             | 1/ 4/57 |
|  |   | 56,000             | 12/1/84-71  | 3.90 *         | "                    | "       |
|  |   | 57,000             | 12/1/85-71  | 3.90 *         | "                    | "       |
| 75,000                                   | Lubbock ISD 3-1/2% UT<br>dated 12/1/56, due                                     | 2/1/71             | 3.75%*      | 12/ 4/56       | 1/ 4/57              |         |
| 200,000                                  | City of San Antonio 3-3/4%<br>GO's, dated 12/1/56,<br>due                       | \$100,000          | 12/1/75     | 3.60%*         | 11/ 8/56             | 1/ 4/57 |
|  |   | 100,000            | 12/1/76     | 3.60 *         | "                    | "       |
| 75,000                                   | Brownfield 4% Elec. Light<br>& Power System Rev.,<br>dated 11/1/56,<br>due      | \$35,000           | 11/1/70-66  | 3.90%#         | 11/27/56             | 1/15/57 |
|  |   | 40,000             | 11/1/73-66  | 3.90 #         | "                    | "       |
| 500,000                                  | City of Houston 3-3/4%<br>GO's, dated 1/1/57, due                               | \$ 74,000          | 1/1/79      | 3.75%*         | 11/14/56             | 1/15/57 |
|  |   | 142,000            | 1/1/80      | 3.75 *         | "                    | "       |
|  |   | 142,000            | 1/1/81      | 3.75 *         | "                    | "       |
|  |   | 142,000            | 1/1/82      | 3.75 *         | "                    | "       |
| 400,000                                  | Waco 3-7/8% Wtr. Wks.<br>Sys. Rev., dated 1/1/57,<br>due                        | \$ 85,000          | 3/1/74-67   | 3.90%*         | 12/11/56             | 1/15/57 |
|  |   | 105,000            | 3/1/75-67   | 3.90 *         | "                    | "       |
|  |   | 105,000            | 3/1/76-67   | 3.90 *         | "                    | "       |
|  |   | 105,000            | 3/1/77-67   | 3.90 *         | "                    | "       |
| 400,000                                  | Abilene 4% Wtr. Wks. &<br>Swr. Sys. Rev., Series<br>1956, dated 11/1/56,<br>due | \$145,000          | 11/1/85-69  | 3.80%#         | 12/13/56             | 1/23/57 |
|  |   | 255,000            | 11/1/86-69  | 3.80 #         | "                    | "       |
| Total Purchases with<br>Delivery Pending |   | <u>\$1,800,000</u> |             |                |                      |         |

\*\* An official report will be made subsequent to delivery and payment; bonds bought on a "When, as and if issued basis."

\* Yield to maturity date.

# Yield to option date.

PERMANENT UNIVERSITY FUND--LAND MATTERS. --

LEASES AND EASEMENTS. -- The Land and Investment Committee has given consideration to the following applications for various leases and easements on University Lands. All are at the standard rate unless otherwise stated, are on the University's standard forms, and have been approved as to form by the University Land and Trust Attorney and as to content by the University Endowment Officer. The Land and Investment Committee asks that the Board approve these applications and authorize the Chairman of the Board to execute the instruments involved:

CALICHE PERMIT NO. 102, PARKER AND PARKER, INC., ANDREWS COUNTY, TEXAS. -- This application for a caliche permit to Parker and Parker, Inc., provides for the removal of 1252 yards of caliche from Block 11, University Lands in Andrews County, Texas, at the rate of 25¢ per cubic yard. The full consideration in the amount of \$313.00 has been tendered with the application.

CALICHE PERMIT NO. 103, FRANK MONTGOMERY, ANDREWS COUNTY, TEXAS. -- This application for a caliche permit to Frank Montgomery provides for the removal of 696 yards of caliche from Block 11, University Lands in Andrews County, Texas, at the rate of 25¢ per cubic yard. The full consideration in the amount of \$174.00 has been tendered with the application.

PIPE LINE EASEMENT NO. 870, PHILLIPS PETROLEUM COMPANY, CRANE AND UPTON COUNTIES, TEXAS. -- This application for a pipe line easement to Phillips Petroleum Company covers 252.5 rods of 8-5/8-inch line at \$1.00 per rod, 535.30 rods of 6-5/8-inch line at \$0.75 per rod, 219.7 rods of 4-1/2-inch line at \$0.50 per rod, and 115.8 rods of 3-1/2-inch line at \$0.25 per rod, in Sections 35, 36, 37, and 38, Block 30, University Lands in Crane and Upton Counties, Texas, for a ten-year period beginning November 1, 1956, and ending October 31, 1966. The full consideration in the amount of \$792.78 for the ten-year period has been tendered with the application.

PIPE LINE EASEMENT NO. 871, PHILLIPS PIPE LINE COMPANY, UPTON COUNTY, TEXAS. -- This application for a pipe line easement to Phillips Pipe Line Company covers 3,278.6 rods of 8-inch and 10-inch line at \$1.00 per rod in Sections 1, 12, and 13, Block 4; Sections 4, 9, 10, 14, 15, 23, 25, 26, and 36, Block 3; and Sections 12 and 13, Block 58, University Lands in Upton County, Texas, for a ten-year period beginning November 1, 1956, and ending October 31, 1966. The full consideration in the amount of \$3,278.60 for the ten-year period has been tendered with the application.

PIPE LINE EASEMENT NO. 872, PHILLIPS PETROLEUM COMPANY, ECTOR COUNTY, TEXAS. -- This application for a pipe line easement to Phillips Petroleum Company covers 538 rods of 8-inch and 10-inch gas line at \$1.00 per rod in Section 1, Block 35, University Lands in Ector County, Texas, for a ten-year period beginning November 1, 1956, and ending October 31, 1966. The full consideration in the amount of \$538.00 for the ten-year period has been tendered with the application.

POWER LINE EASEMENT NO. 873, TEXAS ELECTRIC SERVICE COMPANY, CRANE AND ECTOR COUNTIES, TEXAS (RENEWAL OF EASEMENT NO. 294 EXPIRED DECEMBER 31, 1956). -- This application for a power line right-of-way easement to Texas Electric Service Company covers 1830 rods of line at 5¢ per rod per year in Block 35, University Lands in Crane and Ector Counties, Texas, for a ten-year period beginning January 1, 1957, and ending December 31, 1966. The full consideration in the amount of \$915.00 for the ten-year period has been tendered with the application.

REPEATER BUILDING SITE AND POWER LINE EASEMENT NO. 874, SOUTHWESTERN BELL TELEPHONE COMPANY, WARD COUNTY, TEXAS. -- This application for a repeater building site and power line right-of-way easement to Southwestern Bell Telephone Company covers a site of 0.13 acres of land for the building and 76 rods of telephone right-of-way in Section 31, Block 17, University Lands in Ward County, Texas. The line is at the rate of 5¢ per rod per year, or \$38.00 for the ten-year period. The site is at a minimum consideration of \$50.00 per year or \$500.00 for the ten-year period. The easement involves granting to the company the use of a 20-foot roadway containing 5.50 acres, more or less, adjacent to and parallel with the company's existing pole line to provide ingress and egress to the repeater equipment building site in Sections 1, 20, and 21, Block 17, Ward County, the company to install appropriate cattle guard in roadway. The easement is for a ten-year period beginning October 1, 1956, and ending September 30, 1966. The full consideration in the amount of \$538.00 for the ten-year period has been tendered with the application.

RESIDENCE SITE EASEMENT NO. 875, JAMES W. MILLER, REAGAN COUNTY, TEXAS. -- This application for a residence site easement to James W. Miller covers a four-acre tract out of the NW/4 of the SW/4 of Section 3, Block 48, University Lands in Reagan County, Texas. The residence located on the site is on the Sharples Oil Company lease and was formerly owned by the company. The residence was sold to Mr. Miller who wishes to leave it on its present location for the time being. The easement is for a period of one year beginning January 1, 1957, and ending December 31, 1957, with the option to extend and renew from year to year, but not to exceed a total period of ten years from January 1, 1957, upon payment of the minimum annual rental of \$50.00 in advance. The consideration for the first year's rental has been tendered with the application.

BORROW SOURCE EASEMENT NO. 876, TEXAS STATE HIGHWAY COMMISSION, CRANE COUNTY, TEXAS. -- This application for a borrow source easement to the Texas State Highway Commission is for the purpose of providing two material sources for the current construction program of State Highway 51 between Ector County line and Crane, borrow source No. 1 containing 5.51 acres, more or less, being out of Section 45, Block 30, and borrow source No. 2 containing 2.75 acres, more or less, being out of Section 1, Block 30, University Lands in Crane County, Texas. No consideration is involved in the easement, except that the Texas Highway Commission will be required to enclose the tracts involved with an adequate stock or sheep proof fence and to feather the edges of the pits upon completion of use thereof.

HIGHWAY RIGHT-OF-WAY EASEMENT NO. 877, TEXAS STATE HIGHWAY COMMISSION, ANDREWS COUNTY, TEXAS. -- This application for a highway right-of-way easement to the Texas State Highway Commission covers eighteen right-of-way tracts containing a total of approximately 165.955 acres and a materials source tract containing 20.202 acres, out of Sections 37, 32, 29, 24, 21, 16, 17, 8, and 5, Block 1, University Lands in Andrews County, Texas, for the purpose of widening State Highway 51 to a four lane divided highway in Andrews County. The Commission will be required, upon request of the University, to provide an adequate stock proof fence on each side of the right-of-way and also provide sources of water supply if construction prevents ready access to existing sources. No consideration is involved in the easement.

POWER LINE EASEMENT NO. 878, EL PASO ELECTRIC COMPANY, EL PASO COUNTY, TEXAS. -- This application for a power line right-of-way easement to El Paso Electric Company covers 175.75 rods of line at 5¢ per rod per year in Block L, University Lands in El Paso County, Texas, for a ten-year period beginning December 1, 1956, and ending November 30, 1966. The full consideration in the amount of \$87.88 for the ten-year period has been tendered with the application.

PIPE LINE EASEMENT NO. 879, TEXAS-NEW MEXICO PIPE LINE COMPANY, ANDREWS COUNTY, TEXAS. -- This application for a pipe line easement to Texas-New Mexico Pipe Line Company covers 344.5 rods of 4-1/2-inch O. D. line at 50¢ per rod in Sections 23 and 24, Block 12; and Sections 23 and 34, Block 6, University Lands in Andrews County, Texas, for a ten-year period beginning November 1, 1956, and ending October 31, 1966. The full consideration in the amount of \$172.25 for the ten-year period has been tendered with the application.

PIPE LINE EASEMENT NO. 880, ATLANTIC PIPE LINE COMPANY, REAGAN AND CROCKETT COUNTIES, TEXAS. -- This application for a pipe line easement to Atlantic Pipe Line Company covers 2,172 rods of 4-1/2-inch O. D. line at 50¢ per rod in Blocks 47, 49, and 50, University Lands in Reagan and Crockett Counties, Texas, for a ten-year period beginning December 1, 1956, and ending November 30, 1966. The full consideration in the amount of \$1,086.00 for the ten-year period has been tendered with the application.

PIPE LINE EASEMENT NO. 881, BARNHART HYDROCARBON CORPORATION, REAGAN AND CROCKETT COUNTIES, TEXAS. -- This application for a pipe line easement to Barnhart Hydrocarbon Corporation covers a total of 6,692 rods of gas pipe line, being 3,152 rods of 16-inch line at \$1.50 per rod, 528 rods of 8-inch line at \$1.00 per rod, 1,031 rods of 6-inch line at \$0.50 per rod, and 1,981 rods of 4-1/2-inch line at \$0.50 per rod, University Lands in Blocks 48, 49, and 50, Reagan and Crockett Counties, Texas, for a ten-year period beginning January 1, 1957, and ending December 31, 1966. The full consideration in the amount of \$6,762.00 for the ten-year period has been tendered with the application.

BUSINESS SITE EASEMENT NO. 882, SUPERIOR PARAFFINE SCRAPING COMPANY, REAGAN COUNTY, TEXAS. -- This application for a business site easement to provide a site for a paraffin scraping service covers an area of 200 feet by 200 feet out of Section 7, Block 11, University Lands in Reagan County, Texas, for a period of one year

beginning January 1, 1957, and ending December 31, 1957, with an option to renew from year to year but not to exceed a total of ten years from January 1, 1957, upon payment of the annual rental of \$150.00 in advance. The consideration for the first year's rental has been tendered with the application.

PIPE LINE EASEMENT NO. 883, EL PASO NATURAL GAS COMPANY, ANDREWS COUNTY, TEXAS. --This application for a pipe line easement to El Paso Natural Gas Company covers 125.33 rods of 12-inch line at \$1.50 per rod in Sections 15 and 16, Block 1, University Lands in Andrews County, Texas, for a ten-year period beginning January 1, 1957, and ending December 31, 1966. The full consideration in the amount of \$187.99 for the ten-year period has been tendered with the application.

POWER LINE EASEMENT NO. 884, SOUTHWESTERN BELL TELEPHONE COMPANY, HUDSPETH COUNTY, TEXAS. --This application for a power line right-of-way to Southwestern Bell Telephone Company covers 11,162 rods of line across Blocks G, H, J, K, and L, University Lands in Hudspeth County, Texas, for a ten-year period beginning December 1, 1956, and ending November 30, 1966, at the University's standard rate of 5¢ per rod per year payable for the ten-year period in advance. The telephone company will attach its line to the pole line of Pasotex Pipe Line Company which traverses University Lands under Pipe Line Easement No. 763, expiring October 31, 1965, and Easement No. 53, expiring June 30, 1978, by agreement between the telephone company and Pasotex Pipe Line Company, in order to provide service to Government Aircraft and Warning Stations located in Section 24, Block J, and another station in Culberson County, Texas. The full consideration in the amount of \$5,581.00 for the ten-year period has been tendered with the application.

SUPPLEMENTAL AGREEMENT TO EASEMENT NO. 53, PASOTEX PIPE LINE COMPANY, HUDSPETH COUNTY, TEXAS. --Under the provisions of Pipe Line Easement No. 53, dated April 24, 1931, being a fifty-year easement from July 1, 1928, Pasotex Pipe Line Company was given the right to lay additional lines as follows:

Lessee, its successors and assigns, shall have the right at any time and from time to time to lay as many additional lines of pipe adjacent to and parallel with the first one laid hereunder as may be desired, but shall pay lessor rental therefor at the rate of twenty-five cents (25¢) per lineal rod for this lease, and shall before laying such additional lines make formal application therefor to, and obtain the approval of, the Board of Regents of The University of Texas. All such additional pipe lines shall be subject to the terms of this lease and the aforesaid payment therefor shall become due when the laying of the line is begun.

The company has now made application to the Board of Regents for approval of the installation of an additional line 6,160.18 rods in length across Blocks G, H, and J, University Lands in Hudspeth County, Texas, such additional line to be laid and maintained within the limits of the right-of-way described in the original easement contract and in accordance with the terms and provisions thereof. The full consideration for the additional line in the amount of \$1,540.05 has been tendered with the application. It is recommended that the Board of Regents approve a supplemental agreement to



Easement No. 53 granting Pasotex Pipe Line Company permission to lay the additional line as outlined above and that the Chairman of the Board be authorized to execute such supplemental agreement upon its approval as to content by the Endowment Officer and as to form by the Land and Trust Attorney.

PIPE LINE EASEMENT NO. 885, EL PASO NATURAL GAS COMPANY, ANDREWS COUNTY, TEXAS. -- This application for a pipe line easement to El Paso Natural Gas Company covers 345.412 rods of 12-inch line at \$1.50 per rod in Sections 15 and 10, Block 1, University Lands in Andrews County, Texas, for a ten-year period beginning January 1, 1957, and ending December 31, 1966. The full consideration in the amount of \$518.12 for the ten-year period has been tendered with the application.

REPORT ON EXPLORATION AND LEASING PROGRAM FOR MINERALS OTHER THAN OIL, GAS, POTASH, AND SULPHUR, AND RECOMMENDATION FOR EXCLUDING DIATOMACEOUS EARTH, BENTONITE, AND SIMILAR SUBSTANCES FROM THE PROGRAM. -- On February 3, 1956, after continued inquiries from interested parties, the Board of Regents adopted policies and procedures for exploration and leasing of University Lands for minerals other than oil, gas, potash, and sulphur. Under this program, seven exploration permits have been issued upon payment of the established fee of \$50 each. No applications for leases have been received.

Geologist in Charge Haigh has pointed out that the subject program was not intended to cover deposits of diatomaceous earth, bentonite, and similar substances that may be found on University Lands, and that leases for digging or mining such substances should be on negotiated terms to cover properly each situation.

It is therefore recommended that the Board of Regents authorize notice to all applicants for exploration permits under the subject program that the exploration permit covers search for diatomaceous earth, bentonite, and similar substances, but that such substances are to be excluded from the lease application and lease forms adopted for minerals other than oil, gas, potash and sulphur. Each applicant for an exploration permit will be advised that any lease covering diatomaceous earth, bentonite, or similar substances will be on terms to be negotiated with the University. Any lease under the program adopted in February, 1956, and any lease covering diatomaceous earth, bentonite, or similar substances, will be presented to the Board of Regents for authorization prior to execution.

REPORT ON PECOS COUNTY VACANCY MATTER AND RECOMMENDATION FOR PAYMENT OF FEE TO SURVEYOR REPRESENTING THE UNIVERSITY. -- On July 12, 1956, E. H. Cox of Fort Stockton, Texas, filed a vacancy claim, S. F. 15860, alleging that the acreage between the fence line on the west side of Blocks 22, 23, 24, and 26, University Lands in Pecos County, and the monuments placed by Frank Friend as the west line of those blocks in his survey of University Lands is vacant school land. This filing became void due to applicant's failure to make the required deposit within the time allowed under the law. On September 17, 1956, Mr. Cox again filed a vacancy claim on this strip. In accordance with the statutes, Mr. Fred Williamson of Temple, Texas, has been employed by the State to make the survey. The original time allowed

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for the survey expires on January 15, 1957, and it is expected that the survey will be completed by that date. The hearing on the vacancy matter before the Commissioner of the General Land Office is expected to be set four to six weeks following January 15.

On November 16, 1956, Blevins McKenzie filed a vacancy claim, S. F. 15891, on acreage adjoining the University's Blocks 21 and 22, Pecos County, on the southeast, under the claim that the University had abandoned this area under the Frank Friend Field Notes; and on November 23, 1956, E. H. Cox filed a vacancy claim, S. F. 15893, on the east of the University's blocks between the fence line as shown on the Friend map and the monuments set by Friend as the east line of the University blocks.

In order to protect the University's interest at the Land Office hearing on the Cox vacancy claim involving the west line of the University blocks and in further action that may be necessary, the Land and Trust Attorney and the Endowment Officer requested Mr. Jess Conklin of San Angelo, licensed surveyor, who assisted Mr. Frank Friend in his survey of University Lands, to accompany the State surveyor and to assemble data for the University. Mr. Conklin's fee to December 18, 1956, is \$825, and he estimates that additional work necessary to prepare for the Land Office hearing will be at a cost of not more than \$175. It is recommended that the Board of Regents authorize the Land and Trust Attorney to pay the fee of \$825 and to pay not more than \$175 to cover additional work that may be necessary by Mr. Conklin from Account No. 89111, University Lands - Legal and Surveying, Office, Field, Clerical Assistants, and Traveling Expenses. An additional appropriation to this account from Unappropriated Balance of the Available University Fund is being recommended through docket channels.

TRUST AND SPECIAL FUNDS--INVESTMENT MATTERS. --

REPORT OF PURCHASES, SALES AND CONVERSION OF SECURITIES. --

The following purchases, sales and conversion of securities have been made for the Trust and Special Funds since the report of November 3, 1956. We ask that the Board ratify and approve these transactions:

PURCHASES

| Date    | Security  | Principal Cost |
|---------|---|----------------|
| 11/6/56 | \$5,000 par value National Steel Corporation 1st Mortgage Bonds, Series 1986, due 11/1/86, purchased at 99-5/8 Net to yield 3.92% to maturity<br>Accrued interest paid to 11/9/56<br>(Funds Grouped for Investment) | \$ 4,981.25    |

PURCHASES (Continued)

| Date     |           | Security  | Principal Cost |
|----------|-----------|---|----------------|
| 11/20/56 | \$169,000 | par value United States 2-7/8% Treasury Notes of Series A-1958 due 6/15/58, purchased at 99:6 Net (99.1875) to yield 3.41% to maturity. Accrued interest paid to 11/21/56<br>(Archer M. Huntington Museum Fund) | \$167,626.88   |
| 11/21/56 | 29        | Shares The Chase Manhattan Bank Capital Stock purchased at \$47 per share plus 12 stock rights per share<br>(Hogg Foundation: W. C. Hogg Estate Fund)   | 1,363.00       |
| 12/10/56 | \$5,000   | maturity value United States Savings Bonds, Series J, dated 12/1/56, due 12/1/68<br>(Stadium Improvement Bond Fund, Series 1948)  | 3,600.00       |
|          | \$10,000  | Ditto<br>(Hospital Refunding Bonds, Dated 1951)   | 7,200.00       |
| 11/ /56  | \$100,000 | par value United States 2-7/8% Treasury Notes of Series A-1958, due 6/15/58, purchased at 99:7 (99.21875)<br>(General Funds - Texas Western College)  | 99,218.75      |
|          | \$15,000  | Ditto<br>(Student Union Building Construction Account - Texas Western College)<br>(Purchased by Business Manager of Texas Western College)  | 14,882.81      |

SALES AND CONVERSION

| Date     |     | Security  | Net Proceeds |
|----------|-----|---|--------------|
| 12/13/56 | 2   | rights to subscribe for The Chase Manhattan Bank Capital Stock at \$0.109 each<br>(Hogg Foundation: W. C. Hogg Estate Fund) | \$ 0.22      |
|          | 100 | rights Ditto<br>(Wm. Heuermann Fund for Cancer Research)  | 10.90        |

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SALES AND CONVERSION (Continued)

| Date    | Security  | Net Proceeds |
|---------|---|--------------|
| 11/ /56 | 12 Shares El Paso Natural Gas Company \$4.40 Second Convertible Preferred Stock, Series 1954, into 29 shares plus 88/1000ths share common stock at the conversion price of \$41.25 per share of common stock<br>(Special Fund - The Sealy and Smith Foundation for the John Sealy Hospital) |              |

**TOREADOR ROYALTY CORPORATION - APPOINTMENT OF PROXIES TO ATTEND ANNUAL MEETING OF STOCKHOLDERS TO BE HELD IN 1957.** -- Although notice has not yet been received by the University, it is expected that an annual meeting of the stockholders of the Toreador Royalty Corporation will be held as usual sometime in March of 1957. The Land and Investment Committee recommends that the Board of Regents authorize the Chairman of the Board to execute a proxy on behalf of the Board of Regents of The University of Texas as Trustee, owners of the Preferred Stock of Toreador Royalty Corporation, whereby Wm. W. Stewart, Endowment Officer of the University, and James L. Shepherd, and each or either of them, are appointed proxies to represent the Board of Regents at the 1957 annual meeting of the stockholders, and at any adjournment thereof, and to vote thereat all stock of the Board of Regents of The University of Texas, as Trustee, upon the election of Directors and such other matters as may properly come before the meeting, with specific authority for the proxies to vote in favor of themselves, Wm. W. Stewart and James L. Shepherd, as Directors of Toreador Royalty Corporation, to be elected by the holders of the Preferred Stock of the Corporation pursuant to the by-laws of the Corporation.

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**RATIFICATION OF COMMON STOCK PROXY TO EL PASO NATURAL GAS COMPANY.** -- El Paso Natural Gas Company called a special meeting of the common stockholders for December 21 to vote on a proposed split of the common stock of the company on a two-for-one basis along with creation of a new Class B Stock involved in the acquisition of Pacific Northwest Pipeline Corporation. Upon the request of Mr. D. H. Tucker, Vice President of El Paso Natural Gas Company, the Chairman of the Board of Regents exercised the common stock proxy on behalf of the 1892 shares of common stock held by the University's Trust and Special Funds. It is recommended that the Board of Regents ratify and approve this action.

**TRUST AND SPECIAL FUNDS--BEQUEST AND ESTATE MATTERS. --**

**MEDICAL BRANCH, ESTATE OF ROSA H. ZIEGLER, DECEASED - EXCHANGE OF STOCK FOR UNIVERSITY'S RESIDUARY INTEREST IN TEXSUN CITRUS EXCHANGE, WESLACO, TEXAS.** -- As residuary legatee under the will of Rosa H. Ziegler, Deceased, the University received in connection with ownership by Mrs. Ziegler of certain real estate in McAllen, Texas, Mrs. Ziegler's membership interest in the reserves of the McAllen Citrus Association, a marketing cooperative concern. The association withheld from the proceeds of sale of each year's crop certain "reserves"

to provide working capital and other cash requirements of the cooperative. The policy was to maintain the ownership of the reserves in the current owners of the property and this was accomplished by refunding the earlier years' reserves as later years' reserves were set aside. At the closing of the estate in 1949, it was estimated that the aggregate reserves due the University from the Association was in the total amount of \$1,700.88, and that certain refunds would be made each year probably for as long as ten years. Detailed below are all reserves due to be paid to the University as submitted by McAllen Citrus Association in 1949:

| Year    | McAllen<br>Assn.  | Texsun<br>Exchange | Juice<br>Plant  | Supply<br>Corp. | Total             |
|---------|-------------------|--------------------|-----------------|-----------------|-------------------|
| 1938-39 | \$ 164.18         | \$                 | \$              | \$              | \$ 164.18         |
| 1939-40 | 177.51            |                    | 26.22           |                 | 203.73            |
| 1940-41 | 280.30            |                    | 15.44           |                 | 295.74            |
| 1941-42 | 100.70            |                    | 17.83           |                 | 118.53            |
| 1942-43 | 98.25             | 19.65              | 7.91            |                 | 125.81            |
| 1943-44 | 99.90             | 19.98              | 15.88           |                 | 135.76            |
| 1944-45 | 83.65             | 16.73              | 38.90           | 69.28           | 208.56            |
| 1945-46 | 21.40             | 4.28               | 78.95           |                 | 104.63            |
| 1946-47 | 75.70             | 7.57               | 63.06           |                 | 146.33            |
| 1947-48 | 54.08             | 5.41               | 97.31           |                 | 156.80            |
| 1948-49 | 0.42              | 0.04               | 40.35           |                 | 40.81             |
|         | <u>\$1,156.09</u> | <u>\$73.66</u>     | <u>\$401.85</u> | <u>\$69.28</u>  | <u>\$1,700.88</u> |

In 1950, the University received refunds in the amount of \$19.65 and \$26.22 from the Texsun Exchange and the Juice Plant, respectively, leaving a balance due of \$429.64 from these two concerns. The Texsun Citrus Exchange, including the Juice Plant, is currently in the process of reorganization and the University has been offered 42 shares of Class C Stock of the new Texsun Corporation to replace the \$429.64 due in reserves now held in the Texsun Citrus Exchange. The Class C shareholders will constitute the major equity holders. Class C shares are transferable and participate share for share with Class A shares, issued to active cooperative associations, in the profits of the corporation. After three years, the holders of Class C Stock will participate with Class B shareholders, stock of temporary nature and subject to retirement, in the election of two members of the Board of Directors.

It is recommended that the Board of Regents approve acceptance of the Class C Stock and that the Chairman be authorized to execute whatever instrument may be necessary upon receipt by the University of the 42 shares of Class C Stock.

GIFT OF MRS. ALICE N. HANSZEN OF CAPITAL STOCK OF FIFTEEN OIL COMPANY TO THE UNIVERSITY. -- Under date of December 18, 1956, Mrs. Alice N. Hanszen made a gift of 370 shares of Fifteen Oil Company Capital Stock to the University, stating her desire that the University use the proceeds from its sale and income therefrom for current operating expenses and other purposes of the Mental Hygiene Program of the Hogg Foundation, which the Board of Regents may consider most necessary and advisable. It is recommended that the Board of Regents accept this gift and authorize the Endowment Officer to sell the stock at the appropriate time in the light of need for cash, the timing and price of the stock to be subject to the approval of the Vice President for Fiscal Affairs, the proceeds from the sale to be credited to Current Restricted Funds for the Hogg Foundation.

ESTATE OF MURRAY CASE SELLS, DECEASED - REPORT ON STATUS OF ESTATE. --The following is for the information of the Board of Regents:

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On November 19, 1956, Assistant Land and Trust Attorney Waldrep attended a conference of representatives of the colleges and universities interested in the estate, the conference being held in Fort Worth for purposes of discussing pending matters in the estate. Though copies of all papers are not yet available for review, it was reported at the meeting that the agreed judgment in the Parker-Milliken contest, reported to the Board of Regents on November 3, 1956, had the effect of setting aside the codicil to the will and thereby removed the restrictions which limited the University's five per cent share of the estate to student loans under detailed conditions. The opinion has been expressed that the University and the colleges subject to the same restrictions set out in the codicil may therefore be able to use funds from the estate for scholarships.

It was reported at the meeting that a dividend by Sells Petroleum, Inc., wholly owned by the estate, of an overriding royalty interest of approximately 80% of its interests in producing properties was in process, and that such overriding royalty interests are then to be conveyed to three individual trustees selected by the beneficiary institutions and the Executor for the benefit of the institutions but first as security for a loan of \$2,000,000 to be made by First National Bank in Dallas, the Executor, to the estate to provide funds for the remaining payments due in the will contest settlements, succession taxes, costs of administration, and other requirements. It was reported that by July 1, 1957, this loan was to be taken over by an insurance company, and that soon thereafter the estate would be closed. The loan is to be paid in monthly installments over a period of ten years; and if income from the overriding royalty interests is sufficient, some dividends may be paid to the beneficiary institutions during that period. Sells Petroleum, Inc., will continue to operate the properties, and present plans are for the corporation to be handled after the estate is closed by a board of directors selected by the institutions.

ESTATE OF DeROSSETTE THOMAS, DECEASED - REPORT ON STATUS OF ESTATE AND RECOMMENDATION FOR PAYMENT OF ATTORNEY'S FEE. --By order of the County Court of Bexar County, dated December 6, 1956 the Texas probate proceedings of the subject estate have been closed. The Executors have paid to the University the balance of cash on hand in the amount of \$4,984.79 to complete delivery of the Texas estate, and a receipt and release has been signed by the Chairman of the Board of Regents as authorized on November 28, 1956.

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On November 28, 1956, the Board of Regents authorized the Endowment Officer to notify Arizona Trust Company, Administrator of the Arizona estate, that it approved acceptance of an offer of \$6,525.00 cash for the Tucson, Arizona, property. Arizona Trust Company has now notified the University that another offer had been received in the amount of \$7,250.00, the appraised value in the probate proceedings, and that the sale at this price is being closed.

On April 6, 1956, the Board of Regents approved employment of Mr. Andrew Z. Thompson of the firm of Houston and Thompson as local counsel in San Antonio for the trust established under the Thomas will.



The University has now received the law firm's statement for \$500.00, plus expenses of \$33.22, covering all services rendered the trust in connection with arrangements for probate of the will after threatened contest, work with the attorney for the Executors on matters relating to the property left in trust with the Board of Regents, assistance on legal matters connected with the sale of the property in Alamo Heights, and assistance in closing the estate. It is recommended that the Board of Regents authorize payment of \$533.22 to the firm of Houston and Thompson covering their fee and expenses from the endowment funds on hand in the subject estate.

MEDICAL BRANCH, ESTATE OF A. C. McLAUGHLIN, DECEASED - ADDITIONAL FEE OF HOLME, ROBERTS, MORE AND OWEN FOR SERVICES IN CONNECTION WITH CLOSING OF COLORADO ESTATE AND STUDY OF TAX MATTERS AND RECOMMENDATION FOR ADVICE OF TEXAS ATTORNEYS. -- The University has received a statement, dated December 1, 1956, from the legal firm of Holme, Roberts, More & Owen for additional services from March 1, 1956, through November 30, 1956, in settling the Colorado portion of the Estate of A. C. McLaughlin, including research, correspondence, conferences and preparation of documents in connection with closing of the estate, title matters regarding the Rangely oil field interests, and review and analysis of tax problems in connection with the income from the Rangely properties, including preparation of letter opinion, dated November 19, 1956, regarding Federal income tax liability of the University on unrelated business taxable income and Colorado ad valorem, severance, and income tax questions. The amount of the statement is \$2,921.08, consisting of \$2,811.25 for services and \$109.83 for out-of-pocket expenses. This statement represents the eighth presented by the firm and will bring the total amount paid to the firm to \$44,911.61. It is recommended that Endowment Officer Stewart be authorized to pay this fee out of Account No. 82320, The James W. McLaughlin Fellowship Fund.

In their letter covering tax questions referred to above, Holme, Roberts, More & Owen have pointed out that the University is subject to Federal income taxes on receipts from three working interests and the interest in the Rangely Gasoline Plant received from the Estate so long as these are held without conversion to royalty interests or sale since such receipts will be classed as unrelated business income. They further set out suggested procedures for calculations and reporting on these interests. It is recommended that the Board of Regents authorize the Endowment Officer to submit to Mr. Benjamin L. Bird of the law firm of Weeks, Bird, Cannon & Appleman in Fort Worth, who reviewed this problem in a tentative manner for the University in 1954 and who has advised the University on other Supplement U tax matters, that part of the opinion of Holme, Roberts, More & Owen relating to Federal income taxes for his comments. Holme, Roberts, More & Owen have expressed their approval of this procedure.

All tax returns will be reported to the Board of Regents for approval prior to filing, and it is hoped that a complete report and recommendations on the tax matters can be submitted at the next meeting, along with recommendations as to retention, sale or conversion of the various royalty and working interests in Colorado.

## TRUST AND SPECIAL FUNDS--REAL ESTATE MATTERS.--

HOGG FOUNDATION: W. C. HOGG ESTATE - RATIFICATION OF DIVISION ORDER 3477 TO HUMBLE OIL AND REFINING COMPANY, JACK BECKHAM PRODUCTION COMPANY, HUGHES-GIBBS TRACT, CRANE COUNTY, TEXAS. --Pursuant to authorization granted by the Board, the Endowment Officer executed Division Order No. 3477 to Humble Oil and Refining Company, covering oil purchased from the Jack Beckham Production Company, Hughes-Gibbs Tract located in Crane County, Texas, with respect to the W. C. Hogg Estate's interest of 1/4 of 4/16 of 1/8. It is recommended that the Board ratify and approve this action.

HOGG FOUNDATION: VARNER PROPERTIES - REPORT OF EXERCISE OF LEASE OPTION BY T. J. BETTES COMPANY ON SPACE IN BETTES BUILDING (MITCHELL PROPERTY), HOUSTON, TEXAS. -- The present lease with the T. J. Bettes Company on space in the Bettes Building (Mitchell Property) expires on July 1, 1957, with an option to renew for another period of five years from July 1, 1957, for the same rental of \$1,550.00 per month and upon the same terms, notice of the company's intent to exercise such option to be given to the University on or before January 1, 1957. On December 8, 1956, the T. J. Bettes Company notified the University by registered mail that the company exercised its option to renew and extend its present lease for another five years. This is presented for information to the Board.

HOGG FOUNDATION: VARNER PROPERTIES - AMENDMENT TO LEASE OF D. G. KURJIAN ON SPACE IN RIVER OAKS BUILDING, HOUSTON, TEXAS, TO CANCEL PROVISION FOR RENTAL RATE INCREASE. -- The present lease with D. G. Kurjian on the space at 1102 Capitol Avenue in the River Oaks Building, Houston, Texas, for the operation of a sandwich and soft drink shop, is for a three-year term expiring May 31, 1958. The lease calls for monthly rental of \$250.00 for the first six months of the lease and \$300.00 thereafter. On December 3, 1955, the Board of Regents postponed the increase in rental to June 1, 1956, and on June 1, 1956, a further postponement was granted to December 1, 1956, both postponements being at the request of Mr. Kurjian who has stated that an increase in the rental would mean one of two things, either an attempt to try to sell out or of closing the shop and asking for a release on the location. Mr. Kurjian has again requested postponement of the rental increase since his business does not justify payment of monthly rental of \$300.00.

In the light of the above circumstances and the advisability of keeping the tenant in the space, it is recommended that the present lease be amended so as to cancel the provision for rental rate increase and that the lease run to its expiration date at the rate of \$250.00 per month which is in line with other rentals in the building. It is further recommended that the Chairman of the Board be authorized to execute the amendment to the lease upon its approval as to content by the Endowment Officer and as to form by the Land and Trust Attorney.

HOGG FOUNDATION: THOMAS E. HOGG ESTATE - PROPOSED JOINDER BY BOARD OF REGENTS IN RELINQUISHMENT AND SURRENDER TO INGLESIDE LAND COMPANY OF RIGHTS TO USE OF SURFACE OF CERTAIN TRACTS IN SAN PATRICIO COUNTY, TEXAS. --

Mr. Wm. B. Ferguson has submitted a release and relinquishment instrument whereby Mrs. Margaret Wells Hogg as life tenant under the will of Thomas E. Hogg, Miss Ima Hogg, Mrs. Alice N. Hanszen, and the Board of Regents, Trustee of the Hogg Foundation: W. C. Hogg Memorial Fund as remainderman under the will of Thomas E. Hogg, with others as owners of all the oil, gas and other minerals under certain tracts in San Patricio County, Texas, would release, relinquish, and surrender unto Ingleside Land Company, their original grantor, certain rights to the use of the surface of the lands involved, for a total consideration in the sum of \$28,000.00. Ingleside Land Company has an option contract to sell its surface estate in these lands and must deliver such waiver by the mineral owners as part of the trade. It is possible that the option will not be exercised; in which case, the mineral waiver instrument would be null and void and of no effect. The interest of Mrs. Margaret Wells Hogg, as life tenant, and that of the Board of Regents, Trustee, as remainderman, in the subject property, is 1/6 of the total or a sum of \$4,666.67, payable to Mrs. Hogg in the event the transaction is finally consummated. Accordingly, it is recommended that the Board of Regents approve joinder in the release and relinquishment instrument and authorize the Chairman to execute such instrument upon its approval as to form by the Land and Trust Attorney and as to content by the Endowment Officer.

MEDICAL BRANCH, THE DR. WALTER JUNIUS HILDEBRAND SCHOLARSHIP FUND - PROPOSED REDUCTION OF RENTAL FOR 1957 ON FARM LEASE TO MALCOLM GESCHEIDLE, GONZALES COUNTY, TEXAS. --

The Hildebrand Scholarship Fund owns a 299-acre tract in Gonzales County, Texas, which is currently under a farming lease to Malcolm Gescheidle, the lease being for a term of one year beginning January 1, 1954, and ending December 31, 1954, at an annual rental of \$700.00, with an option to renew the lease from year to year at the same rental, payable \$350.00 on January 1 and \$350.00 on July 1. Either party may cancel the lease at the end of any year on thirty days' written notice. Mr. Gescheidle has requested that his rental for 1957 be reduced to \$600.00 in the light of the present drought conditions which have prevailed in that area for some time. It is recommended that the reduction to \$600.00 for 1957, payable \$300.00 on January 1, 1957, and \$300.00 on July 1, 1957, be granted by the Board of Regents.

HUNTINGTON LANDS - PROPOSED EXTENSION OF TIME FOR CLOSING SALE OF 120 ACRES, S. C. BUNDICK LEAGUE, TO J. C. FRENCH ET AL. -- On September 22, 1956, the Board of Regents authorized sale of 120 acres of the Huntington Lands in the S. C. Bundick League, Galveston County, to J. C. French, R. W. Ramey, and O. B. Scribner, or their nominee, for \$1,000 cash per acre and authorized the Chairman of the Board of Regents to execute a contract of sale and deed. The contract of sale, under which the purchasers deposited earnest money of \$6,000 with the University, provides for closing the sale within 130 days from September 4, 1956.

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Due to unexpected delays which they have encountered, the purchasers propose that the University extend the time for closing 60 days, making the time 190 days from September 4, 1956, and offer the University \$800 as consideration for such extension.

It is recommended that the Board of Regents accept the proposal for extension and authorize the Chairman to execute the appropriate amendment to the contract of sale when approved as to content by the Endowment Officer and as to form by the Land and Trust Attorney.

HOGG FOUNDATION: W. C. HOGG MEMORIAL FUND - REPORT ON PENDING ACQUISITION BY TEXAS STATE BUILDING COMMISSION OF REVERSIONARY INTEREST IN PROPERTY ON CONGRESS AVENUE, AUSTIN, TEXAS, AND RECOMMENDATION REGARDING HANDLING OF LIFE INTEREST OF MISS MARY FITZHUGH (DOT) THORNTON. --On November 28, 1956, the Board of Regents authorized the University's joining with Miss Mary Fitzhugh (Dot) Thornton, who holds the life estate, in a proposal to the Texas State Building Commission that the University and Miss Thornton be paid the total sum of \$60,000 for their interests in the property between Thirteenth and Fourteenth Streets on Congress Avenue and further authorized the University's joining with Miss Thornton in accepting an amount of not less than \$58,000. The offer to deed the joint interests for \$60,000 was conveyed to the Building Commission, and a counter proposal of \$58,000 was made by the Commission. After brief negotiation, the Commission offered \$59,000, and the Endowment Officer has joined with Miss Thornton in accepting this offer.

Miss Thornton proposed to convey to the Board of Regents as Trustee of the Hogg Foundation: W. C. Hogg Memorial Fund her life interest in the property in exchange for an agreement by the Board as Trustee to pay her \$250 per month during her life, all payments and obligations under the agreement to cease upon her death. Miss Thornton's date of birth is April 11, 1882. Her income as life tenant under the present lease on the property which runs to 1971 is \$200 per month net, the lessee paying taxes, insurance, and maintenance costs.

The Board of Regents as Trustee would then convey to the State the entire fee interest in the property, subject to the lease now in effect, for \$59,000, and the proceeds would be credited to the endowment funds of Hogg Foundation: W. C. Hogg Memorial Fund and invested with other endowment funds in that account. Monthly payments to Miss Thornton would be made from the income of Hogg Foundation: W. C. Hogg Memorial Fund.

It is recommended that the Board of Regents approve and confirm the acceptance of the proposal made by the Texas State Building Commission for purchase of the fee interest in the property for \$59,000, and that the proposal of Miss Thornton regarding her interest be accepted. It is further recommended that the Chairman of the Board of Regents be authorized to execute the deed to the State conveying the fee, both instruments to be approved by the Endowment Officer as to content and by the Land and Trust Attorney as to form.

HOGG FOUNDATION: VARNER PROPERTIES - REPORT ON STATUS OF FEDERAL SUPPLEMENT U INCOME TAX MATTERS, RECOMMENDATION FOR RATIFICATION OF CONSENT TO EXTENDING PERIOD OF LIMITATION ON ASSESSMENT OF ANY TAX DEFICIENCY FOR THE FISCAL YEAR ENDED JULY 31, 1953, AND RECOMMENDATION FOR ADVICE OF PRIVATE COUNSEL ON QUESTIONS RAISED BY INTERNAL REVENUE SERVICE. -- After thorough study by the University staff and members of the Board of Regents and with advice from Mr. Benjamin L. Bird of the law firm of Weeks, Bird, Cannon & Appleman, the University Comptroller and Endowment Officer filed the following U. S. Exempt Organization Business Income Tax Returns, Form 990-T, with the approval of the Board of Regents: Return for Fiscal Year Ended July 31, 1953, with payment of tax in the amount of \$60,189.79 (Minutes of January 23, 1954); Return for Fiscal Year Ended July 31, 1954, with payment of tax in the amount of \$1,201.21 (Minutes of October 29, 1954); and Return for Fiscal Year Ended July 31, 1955, showing no tax due and marked as final return.

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The University was contacted in November, 1955, by an agent in the office of the District Director of Internal Revenue, Austin, Texas regarding the returns that had been filed. Certain additional information was furnished to the agent at his request at that time, and he later reported that he would be in touch with the University for a check of the accounting records. This was done late in 1956, and a deficiency assessment for the fiscal year ended July 31, 1953, in the amount of \$28,321.98 is being proposed in the agent's report being forwarded through Bureau channels. It was pointed out that the period of limitation for any deficiency assessment for that year would expire on January 15, 1957, and that unless the University consented to an extension of that period, it would be necessary to proceed without delay with the formal assessment. This would mean formal procedures through the Tax Court for any protest by the University. The Comptroller and Endowment Officer therefore signed for the University on December 20, 1956, a consent to extension of the limitation period on the 1953 Fiscal Year to June 30, 1958.

It is expected that examination of the return for the Fiscal Year ended July 31, 1954, will be completed during 1957 after further conferences regarding the points raised by the agent on the 1953 Fiscal Year. If the agent's objections stand, there will be some deficiency for 1954.

The final return covering the Fiscal Year ended July 31, 1955, was forwarded by the District Director of Internal Revenue, Austin, Texas, through channels to the Commissioner of Internal Revenue on May 17, 1956, for review and advice. A report is expected in the near future.

Further advice of tax counsel is needed for proper determination of the questions that have been raised; and it is recommended that the Endowment Officer be authorized, with the approval of the Comptroller, to submit the questions at issue to Mr. Benjamin L. Bird and request his



advice and assistance in determination of appropriate recommendations to the Board of Regents, all legal fees to be approved by the Board of Regents prior to payment. It is further recommended that the Board of Regents ratify and approve the action of the Comptroller and Endowment Officer in signing the consent to extension of period of limitation for the return filed for the Fiscal Year ended July 31, 1953.

TEXAS WESTERN COLLEGE, COTTON ESTATE - RECOMMENDATION FOR APPROVAL OF FEE FOR APPRAISAL OF ESTATE ACREAGE IN CITY OF EL PASO. --So as to have current values available in the consideration of lease proposals and other matters affecting the acreage and for use in presenting a review of the Cotton Estate to the Board of Regents, President Holcomb of Texas Western College, with the approval of the Endowment Officer, has asked Mr. Wm. J. Elliott and Mr. J. C. Holmes, who are highly regarded appraisers in El Paso, to appraise the Estate's land in the Cotton Addition and adjoining area amounting to approximately 228 acres. The appraisers have submitted a fee of \$2,500 for their joint services, and it is recommended that the Board of Regents authorize payment of this fee from Cotton Estate income funds.

It is hoped that a complete review of the Cotton Estate, including data from the appraisal report, can be submitted to the Board of Regents at its next meeting.

HOGG FOUNDATION: VARNER PROPERTIES - PROPOSED EXTENSION OF LEASE TO MAXIM'S INC. ON SPACE AT 707-09 FANNIN STREET IN THE RIVER OAKS BUILDING, HOUSTON, TEXAS. -- Maxim's Inc. holds a lease extended by the University in 1952 to expire on September 30, 1957, on the space at 707-09 Fannin Street covering 2800 square feet on the ground floor of the River Oaks Building at a rental of \$1,400 monthly. The tenant provides its own air conditioning. The tenant now proposes that the University extend this lease for seven years and requests a rental reduction, pointing out that additional expenditures for air conditioning and other improvements are necessary. Discussion of the matter with the tenant indicates that an extension of one year at the present rental will be acceptable, and it is recommended that the Board of Regents authorize this extension for one year at rental of \$1,400 monthly and that the Chairman be authorized to execute the instrument when approved as to content by the Endowment Officer and as to form by the Land and Trust Attorney.

Adoption of Report. --Since there was no meeting of the Land and Investment Committee, the Board considered the foregoing report and unani- mously adopted it upon motion of Mr. Jeffers, seconded by Vice-Chairman Voyles.



REPORT OF TRUST AND SPECIAL FUND INVESTMENTS FOR THE FISCAL YEAR ENDED AUGUST 31, 1956. --Ten days prior to the meeting each member of the Board had been furnished with copies of the Report on Trust and Special Fund Investments, The University of Texas for the Fiscal Year Ended August 31, 1956, and for record purposes a copy of this report is filed in the Office of the Secretary of the Board of Regents.

REPORT OF BUILDINGS AND GROUNDS COMMITTEE. --At the request of Chairman Sealy, Mr. Lockwood presented the following report of the Buildings and Grounds Committee, pointing out that each member had been furnished this report in the Material Supporting the Agenda with the exception of the last item:

RATIFICATION OF AWARD OF CONTRACT ON ADDITION TO R. O. T. C. RIFLE RANGE, MAIN UNIVERSITY. --At the Regents' Meeting held June 1, 1956, authorization was given to Comptroller Sparenberg to advertise for bids and award a contract for the Addition to the R. O. T. C. Rifle Range at the Main University. In accordance with this authorization, bids were opened and tabulated on November 21, 1956, as shown on Page 52. After consideration of the bids, Comptroller Sparenberg awarded a contract to the low bidder, as follows, this bid being within the amount of money appropriated for this project:

C. and H. Construction Company, Inc., Austin, Texas  
\$21,323.00

It is recommended that the contract award made by Comptroller Sparenberg as reported above be ratified by the Board.

AUTHORIZATION TO AWARD CONTRACT ON IMPROVEMENTS AT UNIVERSITY JUNIOR HIGH SCHOOL, MAIN UNIVERSITY. --At the Regents' Meeting held September 22, 1956, an appropriation was made to cover certain improvements at University Junior High School, with authorization to Comptroller Sparenberg to approve plans and specifications, to be prepared by the Main University Physical Plant staff, and to advertise for bids. These plans and specifications have now been prepared and approved, and the advertisement is being run. In order to expedite this project, it is recommended that the action of Comptroller Sparenberg in approving the plans and specifications be ratified and that authorization be given to him, after receipt of bids, to award a contract for these improvements within the limits of the appropriation for this project, with authority to the Chairman of the Board to sign the contract.

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APPROVAL OF SPECIFICATIONS ON R. O. T. C. BUILDING MOVABLE FURNITURE AND EQUIPMENT AND CLASSROOM SEATING AND AUTHORIZATION TO AWARD CONTRACTS, MAIN UNIVERSITY. -- Specifications have been prepared by the Office of the Comptroller for Movable Furniture and Equipment and Classroom Seating for the R. O. T. C. Building at the Main University. It is recommended that these specifications be approved and that Comptroller Sparenberg be authorized to advertise for bids. In order to insure receipt of the furniture, equipment, etc., in time for installation before the date for occupancy of the building, it is further recommended that Comptroller Sparenberg be authorized to award contracts for these two groups of equipment, after receipt of bids, with authority to the Chairman of the Board to sign the contracts, the money needed to come from the allotment account for the R. O. T. C. Building.

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The allotment account for the R. O. T. C. Building project had a balance of \$99,143.65, as at December 20, 1956. It is estimated that this movable furniture and equipment and classroom seating will cost approximately \$60,000.00. It is also estimated that \$15,000.00 will more than cover other types of equipment needed for this building, such as gun racks, uniform racks, etc. which are expected to be bought by purchase orders.

APPROVAL OF PLANS AND SPECIFICATIONS FOR AIR CONDITIONING MAIN BUILDING AND AUTHORIZATION TO ADVERTISE FOR BIDS, MAIN UNIVERSITY. --At the Regents' Meeting held November 3, 1956, an appropriation was made to complete the air conditioning of the Main Building at the Main University. Plans and specifications for this work, prepared by Zumwalt and Vinther, Consulting Mechanical Engineers, as authorized by the Regents April 10, 1954, were approved at the Regents' Meeting held July 8, 1955. The Engineers have now made certain modifications which were necessary in these plans and specifications, due to air conditioning work already done in the President's Office and certain other offices, and it is recommended that they be approved as modified. It is further recommended that Comptroller Sparenberg be authorized to advertise for bids on this project, with the bids to be presented to the Regents for consideration at the next regular meeting.

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APPROVAL OF PLANS AND SPECIFICATIONS FOR EXTENSION OF UTILITIES TO KINSOLVING DORMITORY AND EXPANSION OF CENTRAL CHILLED WATER STATION AND AUTHORIZATION TO ADVERTISE FOR BIDS, MAIN UNIVERSITY. --Zumwalt and Vinther, Consulting Mechanical Engineers, have prepared plans and specifications for the Extension of Utilities to Kinsolving Dormitory and the Expansion of the Central Chilled Water Station at the Main University, as previously authorized by the Board. These plans and specifications have been approved by the Comptroller's Office, after consultation with the Main University Physical Plant staff, and it is recommended that they be approved by the Board and that Comptroller Sparenberg be authorized to advertise for bids on the project to be presented to the Board for consideration at the next meeting.

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APPROPRIATION FOR REPLACEMENT OF INADEQUATE LIGHTING IN GEOLOGY BUILDING OUT OF APPROPRIATION FOR MAJOR REPAIRS AND REHABILITATION PROJECTS, MAIN UNIVERSITY. --At the Regents' Meeting held April 6, 1956, an appropriation of \$231,000.00 was made to cover Major Repairs and Rehabilitation Projects at the Main University, with the individual items to be itemized later. One of the projects which was contemplated was the replacement of inadequate lighting in the Geology Building. It is, therefore, recommended that an appropriation of \$12,500.00 for Replacement of Inadequate Lighting in Geology Building be set up out of Account No. 91019, Major Repairs and Rehabilitation Projects, and that authorization be given to the Main University Physical Plant staff to proceed with plans and specifications for this work. Since this project has an estimated cost of less than \$20,000.00, it is further recommended that the Main University Business Manager be authorized to approve the plans and specifications after they have been prepared and to advertise for bids and award a contract for this work.

AUTHORIZATION TO APPROVE SPECIFICATIONS FOR CLINICAL SCIENCE BUILDING MOVABLE FURNITURE AND EQUIPMENT AND ADVERTISE FOR BIDS, SOUTHWESTERN MEDICAL SCHOOL. --At the time the contracts for the construction of the Clinical Science Building were awarded, an estimate of \$115,000.00 was made for movable furniture and equipment for the building. Specifications are now being prepared in the Office of the Comptroller for this furniture and equipment and should be ready within the next few weeks. In order that bids may be obtained in time for consideration at the next meeting of the Board, it is recommended that Dean Gill and Comptroller Sparenberg be authorized to approve the specifications and that Comptroller Sparenberg be authorized to advertise for bids.

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AUTHORIZATION OF APPROPRIATION FOR SERVICE BUILDING AT SOUTHWESTERN MEDICAL SCHOOL. --Southwestern Medical School has presented a proposal for the construction of a Service Building to house shops, storage space, and offices of the Physical Plant Department, which are now inadequately housed because of the recent move from the concrete shop building which was made necessary under the terms of the lease with the Community Chest of Greater Dallas, Inc. An estimate of the cost of the building has been made, and a preliminary sketch has been drawn by the Physical Plant staff of Southwestern Medical School. The estimated cost of construction of the building, including outside sidewalks and driveways and Architects' Fees, totals between \$90,000.00 and \$100,000.00. It is believed that the construction of this building will not only provide facilities which are badly needed but will also effect a savings in the overall program of the Physical Plant Department. After consideration of this proposal, the following recommendations are made, which recommendations are concurred in by Comptroller Sparenberg, Dean Gill, Vice-President Dolley, and President Wilson:

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1. Appropriate \$100,000.00 for the construction of a Service Building to be located on the Campus of Southwestern Medical School, with sources of funds as follows:

Unexpended Plant Funds - Cash in Bank \$23,000.00

Current General Funds Unappropriated Balance 77,000.00

2. Authorize the Consulting Architect, Page, Southerland and Page, to proceed with the preparation of preliminary plans for this building, to be presented to the Board for consideration at a later meeting.

RATIFICATION OF APPROPRIATION AND NEGOTIATION OF AGREEMENT FOR MODIFICATION OF TWO ELEVATORS IN MAIN BUILDING, MAIN UNIVERSITY. --In October, 1956, a recommendation was made by Mr. Eckhardt and Mr. Landrum that an appropriation of \$39,000.00 be made from the Main University General Funds Unappropriated Balance to an account to be entitled "Modification of Main Building Elevators" and to be set up in the Plant Funds - Unexpended section of the books, in order that two of the elevators in the Main Building might be converted to automatic operation. It is believed that a considerable amount of money can be saved in operators' salaries over the years if this change is made.

Since the elevators to be converted are Otis elevators, any changes to be made must, of necessity, be made by Otis Elevator Company unless a complete replacement is made, which would cost considerably more than would be involved in merely changing various parts of the installations. Mr. Eckhardt pointed out that Otis Elevator Company had announced an immediate price increase in all of its future jobs, and that in order to take advantage of the present prices it would be necessary at least to start negotiations with the company. In order that this might be done, the appropriation of \$39,000.00 was approved by Dr. Boner and Dr. Wilson and set up on the books. After a certain lapse of time, it became apparent that a definite agreement must be made with the Elevator Company if the increase in price was to be avoided, and, therefore, Comptroller Sparenberg approved the necessary agreement with Otis Elevator Company at a price of \$38,706.00 for the work involved.

It is recommended that the Board ratify the action taken by Dr. Boner and Dr. Wilson in appropriating the sum of \$39,000.00 for this project and the action taken by Comptroller Sparenberg in approving and signing the agreement in the amount of \$38,706.00 for the Modification of Two Elevators in the Main Building of the Main University.

**APPROVAL OF SPECIFICATIONS FOR STEAM GENERATING SYSTEM AND AUTHORIZATION TO ADVERTISE FOR BIDS, MAIN UNIVERSITY. --**

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As a part of the Expansion of the Power Plant at the Main University previously authorized by the Board certain steam generating equipment must be purchased. Specifications for this equipment have been prepared by the Main University Physical Plant staff, and have been approved by the University Comptroller. It is recommended that the Board of Regents approve these specifications and authorize Comptroller Sparenberg to advertise for bids, the bids to be presented to the Board for award of a contract at a later meeting.

The cost of this equipment was originally estimated at \$350,000.00, but this estimate has now been raised to \$400,000.00. This raise in the estimate is caused both by the increases in prices which have occurred since the original estimate was made in 1954-55 and the fact that the bid called for in the specifications will include part of the piping and auxiliary appurtenances which originally were to be purchased separately. Even with this increase in the estimate of the cost of the steam generating equipment, the Main University Physical Plant staff believes that the Expansion of the Power Plant as originally planned can still be completed within the appropriation of \$1,500,000.00 which was made for this project.

Adoption of Report. -- Mr. Lockwood moved the adoption of the foregoing report. This motion was seconded by Mrs. Devall and unanimously carried.


**BOARD FOR LEASE OF UNIVERSITY LANDS.** -- Mr. Lockwood reported that the Board for Lease of University Lands discussed in addition to routine matters sales to be held and agreed that only one sale of oil and gas leases would be held this year.

**ATTENDANCE.** -- Doctor Oates retired from the meeting as did the administrative officials.

ADJOURNMENT. -- The Board adjourned at 11:00 a. m. and went into a joint meeting with the University Development Board for consideration of the following topics:

1. Report of the Development Board's chief activities for 1956 by General John M. Bennett, Jr. See Page 495
2. Supplemental report covering publications, testamentary giving, and approaches to business and industry by Director Hulon Black. See Page 500
3. How the Board of Regents and the University Development Board may cooperate effectively for the benefit of the University by Mr. Hines Baker. See Page 500
4. Comments from President Wilson, members of the Board of Regents, and Chairman Sealy regarding accomplishments of the Development Board and the united effort between the two boards. See Page 502

(See Page 495 for report of Joint Meeting.)

  
Betty Anne Thedford  
Secretary

TABULATION OF BIDS  
ADDITION TO R. O. T. C. RIFLE RANGE  
MAIN UNIVERSITY, AUSTIN, TEXAS

11:00 A. M. Central Standard Time  
Wednesday, November 21, 1956

| <u>Name of Bidder</u>                         | <u>Base Bid</u> | <u>Additive<br/>Alt. #1</u> | <u>Additive<br/>Alt. #2</u> | <u>Additive<br/>Alt. #3</u> | <u>Additive<br/>Alt. #4</u> | <u>Check Or<br/>Bidder's Bond</u> | <u>Contract<br/>Completion Date<br/>Working Days</u> |
|---|-----------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------------|--|
| W. D. Anderson Company<br>Austin, Texas       | \$23,688.00     | \$1,000.00                  | \$550.00                    | \$770.00                    | \$670.00                    | Bond 5%                           | 60   |
| C & H Construction Co., Inc.<br>Austin, Texas | 21,323.00       | 950.00                      | 468.00                      | 770.00                      | 700.00                      | Bond 5%                           | 65   |
| W. S. Conner<br>Austin, Texas                 | 28,520.00       | 1,368.00                    | 750.00                      | 675.00                      | 700.00                      | Bond 5%                           | 90   |
| Wilbur J. Ebach<br>Austin, Texas              | 28,778.00       | 1,060.00                    | 656.00                      | 863.00                      | 1,270.00                    | Bond 5%                           | 90   |
| A. H. Edburg<br>Austin, Texas                 | 27,970.00       | 1,080.00                    | 621.00                      | 554.00                      | 643.00                      | Bond 5%                           | 90   |
| Lewis W. Hamilton<br>Austin, Texas            | 23,448.00       | 1,095.00                    | 420.00                      | 796.00                      | 700.00                      | Bond 5%                           | 90   |
| Moore Construction Company<br>Austin, Texas   | 26,392.00       | 900.00                      | 400.00                      | 600.00                      | 525.00                      | Bond 5%                           | 55   |
| Frank R. Rundell Company<br>Austin, Texas     | 27,619.00       | 1,083.00                    | 734.00                      | 822.00                      | 1,154.00                    | Bond \$1,500.00                   | 70   |
| Ray Wimberly<br>Austin, Texas                 | 27,000.00       | 900.00                      | 300.00                      | 770.00                      | 600.00                      | Bond 5%                           | 70   |



1-11-57 95

1.

Saturday, January 12, 1957  
11:00 a. m.

Regents met jointly with the University Development Board  
Building, Room 212, with Chairman Sealy presiding and the  
membership attendance:

Regents

Sealy, Chairman  
De W. Voyles, Vice-Chairman  
Charles Devall  
Ray Jeffers  
Lee Johnson, III  
Lockwood  
Berton M. Minter  
Sorrell

Members of Development Board

John M. Bennett, Jr.  
H. Baker  
Goch  
George P. Hill  
Odom  
Ransom  
Thompson  
George J. Williams  
Logan Wilson

Were Director Hulon Black, Assistant Director Tyler  
Mary Thedford, Vice-President Boner, Vice-President  
President Haskew, Assistant to the President Cox, and  
aws Service Keys.

called the meeting to order and asked General John  
for a report of the University Development Board's  
the year 1956.

UNIVERSITY DEVELOPMENT BOARD'S ACTIVITIES BY  
N M. BENNETT, JR. --General John M. Bennett prefaced  
expressing gratitude on behalf of the University Develop-  
the invitation to meet jointly with the Board of Regents  
ity of Texas and to report the activities of the Develop-

He spoke as follows:

Members of the Board of Regents:

It would be both interesting and profitable to have a  
discuss the idea which ultimately evolved into the Uni-  
versity Development Board and at the purpose of the Board

and the philosophy surrounding its organization.

As early as 1936 it became evident to the Board of Regents and to the Executive Council of the Ex-Students' Association that there was a definite need for a University agency which would be charged with fund raising and which would provide a channel through which potential donors could receive information and assistance, helpful both to them and to the University. A joint committee of representatives from the Board of Regents and the Ex-Students' Executive Council was appointed to study the matter and to bring in recommendations. This joint committee, after numerous meetings and long and diligent periods of work, arrived at a meeting of the minds and brought in a simple but carefully designed recommendation for the establishment of The University of Texas Development Board. This recommendation was then submitted to the Board of Regents and to the Executive Council and received the unanimous approval of both bodies. It is upon this as its charter that the Development Board has operated throughout its history. The structure and the purpose which were devised would seem to be such as could be arrived at quickly, but this was not the case. The experience of the Board has demonstrated the wisdom of the joint committee and of the Board of Regents in devoting the necessary time and attention to evolving the ultimate plan.

The Board was formally organized in May, 1938, with Mr. Hines H. Baker as its first Chairman. The office was opened and operations began December 1, 1939. Those who designed the Development Board patterned it primarily not upon organizations elsewhere but upon the needs of The University of Texas. Of course, the Board has learned much from similar organizations elsewhere and has itself become in a greater or lesser degree the pattern for many other development programs throughout the nation.

One of the elements of strength which inheres in the Development Board is that its membership represents the four major groups most directly concerned with the welfare of The University--the Regents, the Administration, the faculty, and the alumni. Five of its members are appointed by the Regents; five are appointed by the Executive Council of the Ex-Students' Association; two are elected by and from the general faculty; and the President of the University is ex officio a member.

The Board, being directly responsible to the Board of Regents, has been careful at all times to operate strictly within the bounds of authority granted to it by the Board of Regents. When matters of basic policy have arisen, recommendations of the Development Board have been submitted for approval to the Board of Regents. The Board keeps clearly in mind at all times that its function is to assist in carrying out the policies of the Board of Regents which are within its purview, as set out in its charter.

It is interesting to note the able and distinguished men who, in addition to the present membership, have served on the Board. They are the late Messrs. George A. Hill, Jr., of Houston; John W. Calhoun of Austin; Leroy G. Denman of San Antonio; and Orville P. Bullington of Wichita Falls; and Messrs. Fred W. Adams of Austin; H. J. Lutcher Stark of Orange; W. E. Wrather, formerly of Dallas and now of Washington, D. C.; B. F. Pittenger of Austin; A. P. Brogan of Austin; Homer P. Rainey, formerly of Austin; J. R. Parten of Austin; J. Alton Burdine of Austin; A. M. McAfee, formerly of Port Arthur, now of Woodville; J. A. Elkins of Houston, James P. Hart of Austin; Robt. W. Stayton of Austin; Angus G. Wynne of Dallas; and James Ralph Wood of Dallas.

Specifically, it is the business of the Development Board to assist in financing approved University projects which cannot reasonably be financed either from legislative appropriations or from the Available Fund. In discharging this obligation the Board has worked with and for most of the major divisions of the Main University and with various of the branches. Its activities have covered such projects as numerous scholarships and fellowships in various teaching divisions, a constantly continuing effort; the M. D. Anderson Hospital at Houston; the Ziegler Hospital at Galveston; the Dental School at Houston; low cost student housing at the Main University; a student union building at Galveston; library acquisitions, such as the McKie Collection, the Spoor Collection, and the DeGolyer Collection; museum acquisitions such as the Wooten Gun Collection; child health and pediatrics; the Grass Research Project in the Plant Research Institute; the Schoch research projects in the Bureau of Industrial Chemistry, land and buildings for the Institute of Marine Science; support for the Institute of Latin American Studies; chemical research; support for the University Archives through the Hally Bryan Perry Fund; and a great variety of others. In addition, the Board and its officers and committees have assisted in the preparation of numerous wills which are not yet operative but which are calculated to produce ultimately very substantial amounts. This activity in the testamentary field is being continued steadily.

The M. D. Anderson Hospital project is a particularly interesting one. This is an enterprise in which the Board can take particular pride since it was close to the whole program from its inception and has assisted in producing a very large part of the cost of the plant and equipment. This was done through its contacts with the M. D. Anderson Foundation, which made large and generous grants of land and money and which fathered the whole project; through its direct work with the State Board of Health, which resulted in three grants of funds under the Hospital Survey and Construction Act totalling \$2,025,000; through the large bequest of Miss Rosalie B. Hite, received through the activities of Judge James A. Elkins, then a member of the Board's Houston Committee and later a member of the Board itself; through the large Huermann bequest; through its cooperation with the Houston Chamber of Commerce in raising approximately \$900,000 for the M. D. Anderson Hos-

pital and the Dental School; through the later solicitation by the Board and its Houston Committee which resulted in subscriptions of approximately \$322,000; and otherwise. This total result is an example of what can be done by properly sustained interest and effort and is also an example of the fact that a major project may require work and attention over a longer time than was originally contemplated and sometimes may cover a period of several years.

Among the most interesting of the Board's numerous current activities are those relating to the so-called internal foundations and to the salary supplementation project. Under the supervision and the direction of the Development Board and with the approval of the Administration and the Board of Regents there exist eleven such foundations covering as many teaching areas. The Geology Foundation, organized in 1953, is an interesting example. Under the enthusiastic leadership of the Chairman of the Department of Geology, with the cooperation of the Board, there has been set up an Advisory Council to the Geology Foundation made up of leading geologists of the State. This body has accepted primary responsibility, along with the Board, for raising a total of \$91,000 a year to take care of specific extrabudgetary needs of the Department. Diligent work and enthusiastic response are both in evidence.

Some one and one-half years ago the Administration stated to the Board that the University's greatest current need was for certain funds to supplement salaries in strategic spots in the Main University and asked the Board's assistance in raising these funds. In view of the fact that the University is basically a tax-supported institution, the project offered certain innate difficulties, but the efforts to date have been interesting and fruitful. For the first year, business institutions in Austin contributed \$43,025. These pledges were made on a one-year basis with the permission for resolicitation at the beginning of each of the succeeding four years. The second year's solicitation in Austin is in progress, and renewals of a majority of the pledges have already been received. A successful effort has been carried on in Houston which produced \$12,000 the first year and cash and pledges of \$36,000 for the second year. More recently, an effort has been carried out in Corpus Christi which has produced pledges and cash in the amount of \$7,350 for the first year with probably more to come. The importance of this particular project seems to be out of proportion to its dollar size. The money is available to the Administration to use at its discretion in either recruiting or holding distinguished faculty members at the professorial level or in recruiting the best brains of the country at the beginning instructor level.

It is always significant to note the cost of an enterprise such as the Development Board. In 1956 a questionnaire was submitted to ten leading representative universities, seven of which were state institutions comparable to The University of Texas. Each institution was asked the ratio that its development office budget bears to the institution's receipts of gifts and bequests. For the universities furnishing these percentage figures, the average cost was slightly more than 8.5%.

For the state universities furnishing the information, the average cost was 11%. The University of Texas figure for the year under consideration was approximately 1.5%, a minor fraction-- or slightly more than 1/10 --of the average in other similar institutions. It seems obvious, then, that the Development Board operation is highly economical.

In its continuing program of education and solicitation, it is the constant desire of the Board to broaden its contacts and thereby broaden the University's contacts throughout the State and elsewhere. Much of this broadening comes through particular projects. For instance, the Taylor's T Room Project for the College of Engineering was not large but brought into participation a substantial number of otherwise untouched engineering ex-students. The Hydraulic Research Laboratory Project brought us into touch with numerous executives with whom the University had not previously had contacts in such varied fields as river authorities, electric power companies, chemical manufacturing companies, and railroads. The Grass Research Project has broadened the University's contacts with those engaged in the ranching industry. The internal foundations, through their advisory councils and otherwise, have produced similar contacts. The Pharmaceutical Foundation, for instance, has brought us in touch with many additional persons in the various levels of Pharmacy, including retailers, wholesalers, and manufacturers. The Board's group known as Friends of the Arts has had a similar experience, and there are many others. One net result is that through the efforts of the Board and its associated groups there is a constantly widening circle of persons informed about and interested in the University's problems and their solution.

In the light of experience, it seems safe to say that the organizational structure which was hammered out jointly by members of the Board of Regents and representatives of the Ex-Students' Association has proved to be sound and that the policies adopted by the Board for its own guidance and the guidance of its officers, which policies were duly approved by the Board of Regents, have provided a satisfactory platform upon which to stand and from which to work. The Board and its officers have consistently followed the predetermined procedure of a constant effort to educate potential donors to the needs of the University; of stimulating a continuing alertness on the part of the Board, its officers, the Administration, and the faculty to opportunities for benefactions; and of carrying out its program without indulging in what are commonly called high-pressure tactics. These conservative procedures have produced substantial results at very low percentage cost. They have further established the Board in an enviable position throughout the State and elsewhere, as evidenced by the numerous requests for counsel and advice from other universities and colleges. In looking forward it must be said that there is more to be done than has been done. The future holds great promise, and your Board pledges itself to continue to work vigorously with you in increasing the effectiveness of our whole operation.

SUPPLEMENTAL REPORT OF UNIVERSITY DEVELOPMENT BOARD BY DIRECTOR BLACK. --At the request of General Bennett, Director Hulon Black gave a supplemental report in which he exhibited the following brochures:

1. The University of Texas Law School Bulletin for the John Charles Townes Foundation
2. Austin and The University of Texas for The University of Texas Salary Supplementation Program
3. Your Pharmaceutical Foundation, Its Purpose and Needs
4. The Business Administration Foundation of The University of Texas
5. The Accounting Education Fund, The College of Business Administration Foundation
6. Calculated to Make the Difference for the Salary Supplementation Program
7. The University of Texas Development Board
8. The College of Fine Arts
9. The University of Texas College of Pharmacy Bulletin
10. Geology Foundation

He pointed out that the brochures are always preliminary to solicitations and have been very helpful in many fields.

Two things considered to be basic and to be highly profitable in the acquisition of private funds are testamentary-giving and approaches to business and industry. It is Mr. Black's feeling that testamentary giving is the most profitable field dollar-wise. For that particular field the University Development Board has a handbook Gifts and Bequests to the University. This brochure has been prepared primarily for the use of attorneys and has been distributed to that group.

The second basic thing profitable in the developmental field is the approach to business and industry. The brochure It's Good Business for Business and Industry, prepared as a preliminary in solicitation in the various fields, has been distributed to between 9,000 and 10,000 leading businessmen in the State of Texas.

In his concluding remarks, Mr. Black reported that the Development Office is emphasizing its work in testamentary-giving all the time and that now in particular it is emphasizing the approaches to business and industry.

How the Board of Regents and the University Development Board May Cooperate Effectively for the Benefit of the University, Mr. Hines Baker. -- General Bennett called on Mr. Hines Baker, who was the first Chairman of the University Development Board and who has been a member of the Board since its creation, to speak on "How the Board of Regents and the



University Development Board May Cooperate Effectively for the Benefit of The University. "

Mr. Baker directed remarks to the Board on the creation of the University Development Board, its purpose, and the necessity for cooperation between the boards and for correlation and unification of all activities of the University with reference to the matter of gift-getting.

The Development Board was born in the spirit of cooperation between the Ex-Students' Association, the Board of Regents, and the administration. It was set up as an agency of the Board of Regents for gift-getting and as this agency it must cooperate with the Board and seek to carry out the purposes and will of the Board in the matter of gift-getting.

Mr. Baker emphasized that there must be cooperation to effect the purposes conceived. Throughout the history of the Development Board there has been very good cooperation between the Board of Regents and the Development Board. However, he pointed out that there may not have been enough understanding between the members of each board at all times but that he believes the existing Board of Regents, the Chairman, and the present administration have sought to enhance the opportunity of the Development Board to serve the University and have established channels to improve cooperation between the two bodies.

Mr. Baker placed particular emphasis on the fact that the Development Board is the agent for correlating and unifying all the activities of the University with reference to the matter of gift-getting. He called attention to the fact that the President of the University is an ex-officio member of the Development Board for the purpose of making a closer contact with the Board of Regents and that two members of the General Faculty are on the Board for the purpose of correlating and unifying faculty activities as much as possible. Mr. Baker stressed the importance of the University Development Board being used as the central gift-getting agency and as a means of correlating and unifying all gift-getting whether by faculty, regents, or members of the Development Board and its staff. The University Development Board should be used as an advisor in the field of gifts to the Board of Regents and as its agent for carrying out gift-getting.

He suggested in order to make more effective the work of the Development Board: (1) that the Board of Regents give proper recognition to the Development Board's accomplishments; and (2) that each regent and each member of the Development Board work together in their local efforts when possible and that the other members work individually when such combined efforts are not possible. He cited the example of Mr. George A. Hill, a member of the Development Board, and Major J. R. Parten, a member of the Board of Regents, who formed a liaison that effectively correlated their efforts in carrying out the program for the M. D. Anderson Hospital in Houston. The Development Board members need stimulants to carry out their duties. The establishment of the Development office with a Vice-President for Developmental Affairs and the close correlation of its activities with the Development Board and the Executive Director of the Board, including the attendance of the Vice-President at the meetings, have been very good in influencing understanding and cooperative efforts. Mr. Baker emphasized the fact that both boards are working for one great and common cause-- "the development here of a University of the first class and the progress of the University so that it can ultimately meet our dreams in this regard. Both boards are voluntary workers with this one common motive, and it behooves the members of these boards

to assume the attitude that will lead to the accomplishment of this one purpose or common aim."

Mr. Baker expressed the idea that the new relationship between the Vice-President for Developmental Affairs and the President of the University and the Executive Director's Office of the University Development Board should ensure better efforts. In conclusion, he expressed appreciation to Chairman Sealy, President Wilson, and Vice-President Haskew for the fine spirit exhibited in seeking to unify these efforts.

Remarks of Chairman Sealy. --Chairman Sealy expressed thanks to both General Bennett and Mr. Baker for their very fine addresses. He stated that the one common objective of the University Development Board and the Board of Regents is to make of the University of Texas what we envisage: the best not only in the Southwest but also in the nation.

Chairman Sealy, quoting the late beloved President H. Y. Benedict "Public confidence is the greatest endowment of any educational institution", continued:

"We have sought to get this and to keep it. It is hard to do. Any large institution is always under the veil of suspicion. I believe that we do enjoy better relationships than in the past and we want to keep the confidence and to obtain from whatever source we can the moneys needed to make it the best University.

"And through this Board of Development and through our united and joint efforts and under aggressive leadership, we want to get what we need to produce future citizens and educated minds that will not be misled but who will follow the facts and be able to differentiate between what is good and what is proper to maintain this democracy, and only educated minds will maintain it.

"I like to feel that the two boards have maintained a close relationship, for we ought to be a working organization. We, the Regents, think that the Board of Development feels the same way about it. We have a fine membership on that Board--aggressive membership--and we have fine and able leadership in Logan Wilson and Larry Haskew."

Chairman Sealy then called on President Wilson, Vice-President Haskew, and Regent Jeffers.

Remarks of President Wilson. --President Wilson commented that he could not add anything to the fine remarks that had been made about the accomplishments of the Development Board and the united effort between the two boards. He said that his annual report for 1955-56 includes a section pointing out this University as a tax-supported institution received about \$32,000,000 from voluntary contributions during the past ten years, and indicates that additional monies from private sources are vital to the institution. This voluntary support from private benefactors often spells the difference between a mediocre and a great institution.

It is an indication of "the measure of public confidence in this University" that the people have. He continued, "We are greatly indebted to many individuals and groups who are unpaid workers. We paid workers are aware of our debt to the Board of Regents, to the Board of Development, to the Ex-Students' Association, et al. They are the individuals who have

sparked the activity that has brought in the 32 million dollars during the past ten years. I hope the people of the state will develop an awareness of how much these voluntary, unpaid efforts mean to the University, to the people of Texas, and to the advancement of knowledge".

He expressed his deep appreciation and profound gratitude to all who have helped in the development of the great and common cause.

Remarks of Vice-President Haskew. --Vice-President Haskew spoke briefly. With reference to Chairman Sealy's quotation of the late beloved President H. Y. Benedict, he said there are many evidences that the Development Board is building that endowment of confidence in the University and that such pays off. Reflecting over the years, this public confidence in the Development Board and its members individually has been a tremendous asset.

He reiterated Mr. Baker's statement that "It is hard to do anything for the University without infinite coordination" and cited several examples among which was the High School Teaching in Science Project that has grown from an \$8,900 project, money contributed by Texas business and industry, to an \$80,000 summer project from the National Science Foundation.

In conclusion, Vice-President Haskew expressed delight at having the opportunity of working with the members of the University Development Board--people who are dedicated to the University.

Remarks of Mr. Jeffers. --Mr. Jeffers responded in the following manner: "It is certainly known to all of us who remain on the Board of Regents that the three members of the Board of Regents who have been most keenly aware of the importance and the necessity of cooperation and close mutual understanding between the Board of Regents and the University Development Board are retiring members of the Board of Regents (the Chairman, the Vice-Chairman, and Doctor Oates). They have repeatedly referred to that fact and emphasized it to those of us who were younger on the Board in terms of service than they.

"I want to assure all the members of the Board of Development that the policy will be unchanged and that we are all deeply aware of the importance of your functions and of the mutual understanding and cooperation between the two boards which will be furthered by the three fine men who will become members. One of our newly-appointed Regents is a member of the Development Board, and he will bring to the Board a knowledge of your problems. I think the years ahead should be our most fruitful ones in the common enterprise of working together between the two boards."

Closing remarks. --Chairman Sealy, in his closing remarks and at what he termed his last meeting of the Board of Regents, expressed his thanks to the members of the University Development Board.

Adjournment. --The Board adjourned at 12:15 noon.